

# Nation's Business

USEFUL LOOK AHEAD

AUGUST 1965

## Can Subsidies Solve America's Problems?

**A SENATOR'S ANSWER**

PAGE 30

**A CITY'S ANSWER**

PAGE 32

**A UNIVERSITY'S ANSWER**

PAGE 34

**AN INDUSTRY'S ANSWER**

PAGE 36

Where business will grow fastest **PAGE 56**

For success: Work 25 hours a day **PAGE 78**



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# Nation's Business

August 1965 Vol. 53 No. 8

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## **7 WASHINGTON BUSINESS OUTLOOK**

Congress set to act on more issues important to business;  
Washington expands role in 50 kinds of education programs

## **14 EXECUTIVE TRENDS: How ethical are you?**

Here's a case that could help you decide; a Harvard group  
ranks most-stressful jobs; experts study Mafia management

## **21 WASHINGTON MOOD: LBJ and his image**

President's domination of the nation's capital, making him  
seem the only man in town, leaves him a target for critics

## **25 STATE OF THE NATION: Who laughs last?**

Americans who gleefully watch Soviet rulers adopt absurd  
policies might be sobered by what's going on here at home

## **29 CAN SUBSIDIES SOLVE AMERICA'S PROBLEMS?**

### **30 A U.S. Senator's answer**

Shocked by his findings of widespread welfare cheating, this  
lawmaker calls on all cities to check over their relief rolls

### **32 A city's answer**

Here's a California community's solution to problems of  
the idle poor: Put them back to work instead of on the dole

### **34 A university's answer**

Experts document the burdens that urban renewal imposes  
on dislocated businesses and individuals in new depth study

### **36 An industry's answer**

Government housing projects create costly problems, kill  
individual incentive, should be ended, real estate men say

### **38 Art Buchwald on—**

Taxes, LBJ, automation, stock market and a whole bunch  
of other things are given the needle by this political satirist



**44 A LOOK AHEAD: New stock market battle**

Tipping headaches for employers; airlines, regulators get ready for 2,000 mph problems; what makes a better alloy

**46 LESSONS OF LEADERSHIP: Staying on top of change**

Jesse Tapp of Bank of America looks at the coming shape of business and tells how he has learned to prepare for it

**56 Where business will grow fastest**

This forecast shows what major American manufacturing industries can be expected to contribute to the 1970 economy

**62 New ways gangsters muscle into business**

The crime syndicate uses all sorts of slick new schemes, U. S. criminal division chief warns in exclusive interview

**70 Billions for boondoggles**

Gigantic public works projects that are now being pushed in the Congress would aid some at the expense of many others

**74 WORLD BUSINESS: U. S. in Europe**

Economist Intelligence Unit examines effect of reducing the outflow of American capital, predicts other trade prospects

**78 For success: Work 25 hours a day**

Does all work and no play make you a rich man? A survey indicates top executives want people married to their jobs

**92 The gravity of the situation**

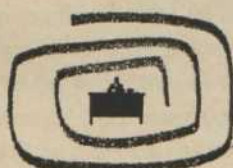
In all the hustle to make sure plenty of laws are enacted, Washington politicians should not forget this law of nature

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stock is  
inherited...**

**estate costs  
may burn  
a big hole in it!**



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# WASHINGTON BUSINESS OUTLOOK

**Excise tax reduction** may bring business and customers unexpected dividend by helping to hold down labor costs as well as prices.

Indications are that mixture of tax changes and other price factors could keep government's consumer price index from rising as much as it otherwise might. Taxes have been figured as part of many prices.

Consumer price index for several years has been rising gradually, about 1.3 per cent a year.

This increase reflects constantly rising cost of doing business, particularly higher wage and fringe-benefit costs.

Now businessmen pass excise tax cuts along to consumers in form of lower prices.

And if this pass-along by businessmen can hold price rise down—by as much as half a percentage point, some experts believe—this would mean wages wouldn't escalate as much in industries where wage-rate agreements are tied to official consumer price index.

So Washington wonders whether to revise price index or leave it alone.

Prediction: It will be revised, but not right away.

## **More cost pushes threaten.**

Up for congressional action soon are payroll issues important to business costs.

Jobless pay proposal is example.

House committee early this month considers major changes in unemployment compensation.

Proposal would extend coverage to additional five million employees, taking in employers with one or more on payroll instead of four or more.

Proposal also would establish federal rules for state jobless-pay programs. Rules would force states to pay jobless benefits equal to at least 50 per cent of worker's wages under certain conditions.

Also would require that jobless benefits be paid beyond the usual 26 weeks—up to a year, in fact.

You'd pay for broader benefits through higher payroll taxes.

**Double pay for overtime** is another issue facing showdown.

Question is whether employers will be required to pay double wages for work time after 48 hours, and eventually after 45-hour work-week.

Congress likely to reject this because it would only boost business costs without adding new jobs.

Administration also seeks to spread coverage of minimum-pay legislation to industries with 4.6 million employees. Congress considers action this month.

Important side issue: Will farm workers be included?

President has not asked outright for increase in \$1.25 an hour pay minimum, but pressure on Congress is strong anyway. Unions want \$2. Some congressmen press for \$1.50 an hour in two steps.

**Will Congress scrap laws** guaranteeing right of worker to hold a job without being forced to join a union?

That's another hot issue coming to head this month.

Question is whether to repeal Section 14(b) of Taft-Hartley labor law. Repeal would cancel state right-to-work laws giving employees right to work without joining a union.

Outcome is touch-and-go. Union leaders and supporters in Congress brag they have votes to win, want to slip it through as fast as possible.

But many congressmen stand firm against it. Others would like to postpone action as long as possible.

Here's comment of one senator: "As a matter of fact, I know of no member of the Senate who is what might be called a martyr with his shirt afire on this issue. On the contrary, not a



member of the Senate would give it a second thought if action were not being demanded by Walter Reuther and a few other labor leaders.

"So I recommend putting 14(b) and the Wage and Hour law at the bottom of the list and then don't bring them up unless the President feels that it will promote the general welfare to keep Congress in session until the corn is in the shock and the frost is on the pumpkin."

**Another labor measure** may be in trouble—proposal to legalize secondary boycotts at construction sites.

Missile site strikes anger public.

While American troops dodge bullets in Vietnam, workers at home walk off missile base construction jobs over disputes as petty as coffee break.

Union no-strike pledges at Cape Kennedy and Mississippi Test Facility are flouted.

Walkout examples:

Company assigns cleaning of pipe system to subcontractor. Union protest costs 2,442 man-days.

Bulldozer operator is discharged for series of accidents. Strike costs 45 man-days.

Company shortens workweek, eliminates coffee break. All but one employee observe new working conditions. He is discharged. Electricians leave work in protest, with loss of 10 man-days.

Carpenters place pickets at Cape Kennedy to protest to contractor not using union hiring hall exclusively in hiring carpenters. Other workers honor picket line; 4,488 man-days lost.

Workers protest dismissal of employee for challenging issuance of orders by management; 35 man-days lost.

Workers quit jobs to protest reduction of work day from 10 hours to eight; 14 man-days lost.

Six laborers and bricklayers are discharged

for drinking beer and gambling on the job. Sympathy walkout costs 206 man-days.

Union protests contractor's change in starting time from 7 a.m. to 7:30 a.m. and 23 man-days are lost.

Senate committee staff is investigating.

**Government planners** in Washington think they know how to solve your local problems better than you do.

So massive plan for more federal intervention gets under way soon.

Turning point:

Creation of new cabinet-level Department of Housing and Urban Development to be established 60 days after congressional action unless President decides to set up earlier.

New duties?

None to start.

But many fear big future expansion, ballooning taxpayer costs.

They point to most recent new department in government as example of mushrooming tendency. Department of Health, Education, Welfare had 36,600 employees in '53, now has 84,000. Taxpayer costs? Up from less than \$2 billion then to \$7 billion now. Estimate for '66 places taxpayer cost another \$1 billion higher—not including additional funds to be appropriated later.

**Would new department grow** like this?

Range of potential for future growth is shown by fact that more than 40 separate programs to control urban development now involve some 13 departments and agencies.

Basic issue—beyond taxpayer cost—is whether community development will be community controlled or centrally controlled by federal bureau.

One view in Congress:

"This is another manifestation of the perennial urge to classify problems as having



# WASHINGTON BUSINESS OUTLOOK

outstripped the capacity of state and local governments and to create new federal departments to solve them.

"There is no magic in the establishment of a new bureaucracy in Washington that will in itself help anybody solve local problems."

**Businessmen write free-enterprise** solutions to local problems.

Your city need downtown parking space?

Elmira, N. Y., did. So business, professional people, merchants, property owners did something about it—without asking Washington for money. Two parking areas were opened with substantial beneficial results to businesses and customers.

Need a new courthouse? Peoria now has one, built through initiative of 20 business leaders. No U. S. Treasury funds used.

New convention hall for your city?

Tampa can tell you how it's done. Local interests built one seating 8,000.

There's also a new seven-floor office building, four new bank buildings, other projects planned in Tampa—all financed locally.

Mushrooming suburbs?

Schenectady knows what to do. Problems there are being met through local private initiative.

Other self-help success examples?

There are plenty:

From St. Paul (industrial park development) to San Diego (downtown redevelopment) and from San Mateo County, Calif. (urban renewal without federal bulldozer) to Battle Creek, Mich. (hospital improvements).

All accomplished without asking Washington for help or money.

**Jobs for teenagers**—another example of businessmen meeting a problem.

Large and small firms provided 472,000 jobs for youth first month of summer.

Secretary of Commerce John Connor comments:

"This certainly indicates an awareness of the problem and a sincere desire by the businessman to provide meaningful work that is not only good for our youth but good for business.

"This is a job that cannot be done by government—whether federal, state or local—or by private employers alone. It requires the joint and concerted effort of all."

**Federal government** is practically taking over education.

Could become second highest spending category in federal budget in another year, trailing only national defense.

New facts pulled together for first time show that Uncle Sam is footing schooling costs of some \$7.8 billion.

Money funnels through long list of federal agencies and bureaus for more than 50 categories of educational programs. Spending now runs some 30 per cent above year ago—a little noticed development in Administration that stresses economy image.

There's more to come. Federal spending for the many kinds of educational programs is expected to go up another 40 per cent-plus next year, with more increases after that, according to political plans.

Fact is, almost every category of spending for education is rising. Veterans' education is exception. College housing loans also are lower but grants to colleges and universities are up from \$56 million to a whopping \$441 million—and sweeping higher. And loans for college classroom buildings, as distinguished from dorms, shoot up from zero last year to \$169 million now.

Cost of other education programs also rises. Vocational-technical education, for example, skyrockets from \$16 million a year to \$465 million.



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## Business opinion:

### Business leaders' true commitment

To the Editor:

Too little public recognition is given to the ideological side of business management, to the realization that executive leadership implies dedication to unselfish ends.

NATION'S BUSINESS should be recognized for the service it performs in featuring articles such as the interview with M. J. Rathbone ["Lessons of Leadership: Deciding the Tough Ones," June]. Business leaders need to feel pride in their way of life. It is vital to the future of our society that the esprit de corps of the military, the church, the government, the unions and the totalitarians be matched by the belief of business leaders in the ultimate worth of their way of life.

The passing of a figure such as Bernard Baruch reminds us that one of the greatest testing grounds for our philosophy of freedom is in the business world, and that a very mature understanding of the mechanics of our way of life comes to those who rise to high stations in business. There are few teaching machines as effective as the judgment of the market or the workings of competitive capitalism.

It would be naïve to believe that businessmen have become saintly, just as it is irresponsible to contend that the key to the business world is a heart of stone, a knife and a blindfold. However, the realization of a truly Great Society requires that business leaders be committed to ideals, to responsible long-range purposes and to the general welfare; and that they believe with total commitment in the high aims of their calling.

MARTIN E. KANTOR  
President  
Markan Products Co.  
New York

#### More creative ideas

To the Editor:

I especially enjoyed the section on "Word Hints to Creativity" in June [Test Your Creativity]. I would like to state my opinions on four questions:

5. Why is "ball" not an equally

good answer as "club" for the sequence golf, foot and country? Golf ball, football and country ball are common words in North Carolina.

9. I fail to see the relation between "high" and "proof." However, *waterproof*, *sea water* and *holy water* or baptism with *water* are in common usage.
13. *Make merry*, *make out* and *make up* are well known; however, so are *merry-go-round*, *out-of-round* and *round up*. A military man may use the word "pass," since it is also associated with *merry*, *out* and *up*.
14. Number 14 should be deleted from the sequence. It is a test of knowledge rather than the ability to relate the information presented.

Our company is continually searching for creative people. Our approach has been the hit-miss technique, plus our own intuition and judgment. We are very much interested in scientific techniques for evaluating creativity.

Our organization has noncollege graduates who are considerably more creative than some of the college graduates. We pay these people a salary equal to, or in some cases more than, the college graduate. Such a situation, I am sure, must exist in many laboratories.

We also have had people who were creative but could not convert their excellent ideas into practical devices without a lot of mistakes or requiring too much guidance. We have found this type of creativity to be useless and extremely expensive. Our technicians and model shop machinists soon lose all respect for this type person—resulting in a company morale problem.

Thank you for the many excellent articles in your magazine. They have been very helpful to me.

ANDREW LOWERY  
Chief Engineer  
Troxler Electronic Laboratories, Inc.  
Raleigh, N. C.

To the Editor:

Your article, "Test Your crea-





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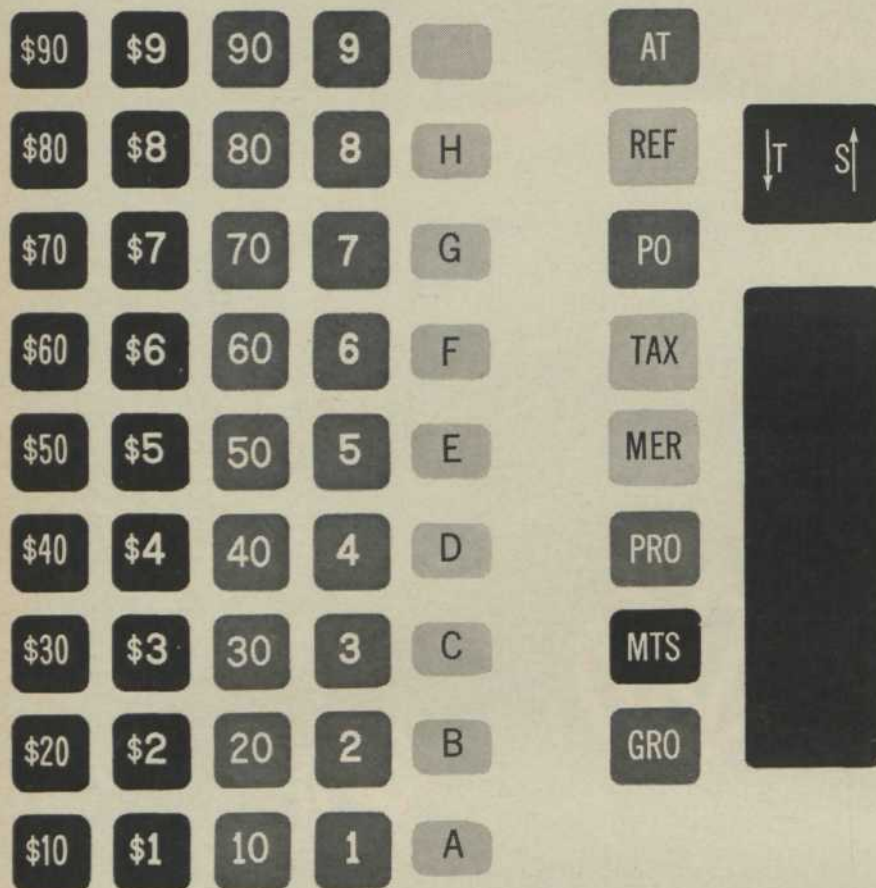
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## Business opinion:

tivity," was fun to take but I doubt that it even comes close to being a true measure of creativity.

First of all, creative minds work in many different ways, usually drawing different conclusions from the same evidence. For example, in the test, "Word Hints to Creativity," 4 could be answered "telephone" as well as "cat"; 8 could be "brush" instead of "finger"; 9 could be "God" in place of "high," and 14 could as well be "raw" if not better than "Dutch."

I'm sure that your other readers will also come up with other related words just as apt as the ones presented as the "right" words.

In test 2, let me remark that any decent artist would argue with you about which drawings are most to his liking, and the other tests are, as you said, make-overs from personality tests. You might be amazed to know there are many conservative, rigid, stick-in-the-mud creative types.

The worst trouble with the test is that most creative people are rather tough-minded, and few of them would willingly take such a test.

BRIAN D. BOYER  
President  
Chicago Poets-Writers Foundation  
Chicago

## Relief frauds

To the Editor:

I have just finished reading the article, "Welfare Frauds Exposed" [June], and I agree that every one of the 50 states needs a Mrs. Head.

I find in my business an increasing number of educated people who take no thought of tomorrow but depend solely on the government for security for their families.

I had a former student in junior high school tell me that his life's ambition was to be able to go pick up his own welfare check.

GLEN DAVIS  
Roosevelt National Life Insurance  
Woodland Park, Colo.

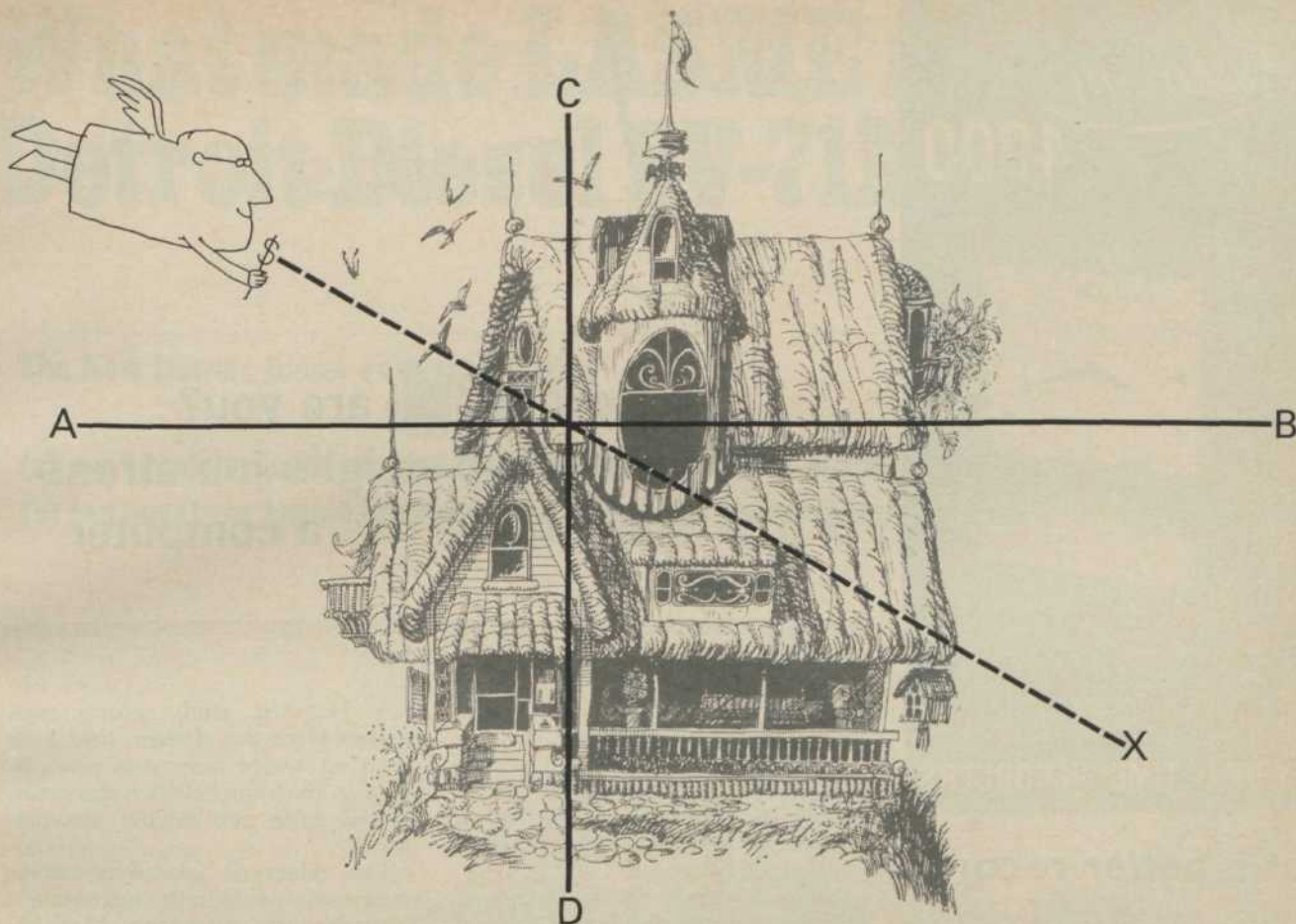
## Land of the free?

To the Editor:

As you pointed out in your June issue [editorial, "The Most Precious Right"], the right to work is a basic human right. If our citizens can't even freely seek to earn their livings without having to pay tribute to a specially privileged union, then it is hypocrisy to call this land a free country.

JEFFREY FIEBIGER  
Member  
Coast Federal Free Enterprise Seminar  
South Pasadena, Calif.





# Which part of your house is insured?

*Your part... or the mortgage company's?*

Take this mean test, and see who your insurance is protecting: the other guy, or you.

1. My house cost me \_\_\_\_\_, in 19\_\_\_\_\_.
2. Today, building costs what they are, it would probably take \_\_\_\_\_ to replace it.
3. But the house is insured for: \_\_\_\_\_.

**NOW. READY?** The answer to 3 should be close to 2. If it's only close to 1, go sit with your head in the corner. You have flunked Home Ownership. Because your figures show you insured the house only to the amount of the mortgage.

That means if a typhoon should take down the whole house, the mortgage company gets paid back... but not you. You're left standing there empty handed, saying "Why didn't somebody tell me?"

Should you go blaming the people who hold your mortgage, for not telling you? Nope. They

insisted on insurance to cover their interests. Who's supposed to cover your interests? You are.

The cost of bringing your policy up to where it should be is probably very little.

If you want an A in Home Ownership, get a reputable insurance agent or broker to help you decide what you need. Show him this ad; he'll know what to do.

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## Executive Trends

- How ethical are you?
- Harvard group weighs job stress
- The Mafia could use a computer

Suppose an employee had worked long and faithfully for you.

Suppose he left work a few minutes early one afternoon to keep a golfing date and was killed by an automobile a short distance from your plant.

Suppose your group insurance policy stipulated that benefits would be paid only if employees were killed or hurt while at work or on company business off the premises.

Would you fudge a little on the report so that the widow of the otherwise diligent worker did not lose her husband's policy benefits?

The answer might seem clear-cut, but when this case was presented recently to a meeting of young business and government executives in Washington it generated wildly divergent arguments. Some said they would comply strictly with the policy terms; some said they would fudge without qualms; others said they would probably doctor the report but feel badly about it later.

The discussion was triggered by a talk on ethical problems given by the Rev. Thomas F. McMahon, C. S. V., a Catholic priest who has been making an intensive study of business morality.

Father McMahon finds evidence of rising interest in moral questions among businessmen. Example: He has been asked by one multibranch company to give talks once a month on business ethics to 40 executives enrolled in a year-long leadership development program.

Who is under the greatest stress—a junior executive or the top man?

A Harvard study group says neither faces the stresses that bear down on senior managers who operate in the zone between the presidential suite and middle management.

The Harvard stress-measureurs were participants in the university's Forty-seventh Advanced Management Program. In making their selection they weighed stresses and their intensities in such areas as "the fight to reach objectives," "personal life," "persons and situations inside the firm" and "persons and situations outside."

Senior men were found to exceed others in personal stresses, with their children usually just entering college and their social interests expanding. They were found to equal the top men in the amount of stress felt from the struggle to meet objectives. They run a close second to top men in stresses from outside the company and a close second to the middle managers when it comes to taking stresses from inside.

Note: The junior executive carries a greater stress load than the top manager in terms of personal pressures and stresses originating inside the organization.

These questions could help you decide if you should stash those old records in a storage center away from your business.

1. Is record-keeping a problem you've been intending to get to for months—or years?
2. Does your inability to put your



# What made LASME switch to Detroit Diesel 8V-71N engines?

The New Detroit Diesel "N" Engine

- (a) can equal any engine in total performance, yet beat it in operating economy—or
- (b) can equal any engine in operating economy, yet beat it in performance



"We looked at the increased speeds and the possibilities of increased loads in the U.S. We found the Detroit Diesel 8V-71N, rated at 265, 290, or 318 hp., was our best insurance of power for the future."

That's W. W. (Bill) Churchill talking.

He's Fleet Manager of Maintenance for Los Angeles-Seattle Motor Express, Inc.

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## EXECUTIVE TRENDS

*continued*

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## EXECUTIVE TRENDS

*continued*

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• • •

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• • •

**Executive intelligence:** At least one company is experimenting with "stand up" meetings as a way of forcing personnel to keep their comments short and to pare costly time of staff sessions. . . . New York recruiter William F. Breitmayer is drawing up profiles of successful executives by fields. He finds "surprisingly large" number of top marketing men have foreign language fluency, believes this reflects trend to international marketing. . . . Sales letter writer Shell Alpert says "praising your company by faint damnation" can be a disarming and effective technique in all letter writing. . . . The flap over psychological tests for government employees still sends shock waves through industry; one pro-tester, Dr. Arthur A. Witkin, defends questions of a personal nature because, he insists, a man's personal life does influence his job performance. . . . New study finds that need for achievement, more than money, keeps executives performing at top of their form. . . . Getting ready for some college recruiting for first time? Don't be surprised if you land only one hire per visit, new report says; that's about average. . . . American businessman, back from Asia, finds business school shelves there loaded with Russian publications—in English—few from U. S.

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## Why LBJ has trouble with his image

BY PETER LISAGOR

AFTER MORE THAN 20 months in office, President Johnson shows the usual signs of wear and worry that attach to the giant enterprise of government. But he has lost none of his passion—some call it an obsession—for shaping, polishing and coloring the public impression of his Administration.

With the possible exception of Vice President Hubert H. Humphrey, LBJ remains the Great Society's most zealous press agent. Like most successful politicians, he maintains such contacts with the grass roots as the confining burdens of the White House permit, and he looks often at those political "applause meters," the public opinion polls, for evidence of continuing approval or creeping discontent.

More than most chief executives in recent times, he dominates the conversation, and much of the thought, of this capital. The talk centers not so much on the substance of his programs and policies, which move along in old grooves and don't change often enough for fresh analyses, but far more on the character, manner and mood of the man—his idiosyncratic behavior, his flavorful and deliberately colloquial language, his seemingly quixotic actions on small things, and his attitudes toward people and nations. These provide an endless source of stories, and the appetite for them is whetted by the knowledge that he hasn't learned—and probably never will learn—to live comfortably and unconcernedly with criticism. It is in the perverse nature of man to find greater sport in bombarding the thin-skinned than the imperturbable, and Washington is probably more perverse in this respect than most places.

Mr. Johnson is by no means an innocent victim of his critics. He makes an occasional contribution to their arsenal of barbs with a brusque gesture toward some foreign diplomat or head of government, or by cavalierly describing how he deals with a balky ally. Not long ago, an elderly Frenchman of some distinction came away from a visit with the President and was plainly perplexed by an expres-

sion Mr. Johnson had used in discussing his views of President Charles de Gaulle.

"What is a beanball?" the Frenchman inquired of an American friend soon after leaving the White House.

It was fortunate that the friend had heard the President speak of de Gaulle in terms of the beanball, and managed to enlighten the puzzled Frenchman to the extent that the jargon of baseball could be translated, with the aid of a few gestures, into French.

Mr. Johnson had recalled his youthful days as a lanky first baseman on the sandlots of Central Texas. Whenever the opposing pitcher threw a beanball—a



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*Because President shrinks those who walk and toil in his shadow, he seems at times the only man in town.*

pitch close enough to the head of a batter to keep him off balance and discourage him from digging in at the plate for a swing at the fences—young Lyndon simply stepped out of the batter's box and let the ball zip past to the catcher. The story, as it was told to the Frenchman, was not particularly appropriate to de Gaulle, nor was it at all caustic; it was designed to emphasize patience as a virtue, not to say weapon, in the face of errant opposition. But to presidential critics who heard the story second

*Mr. Lisagor is the White House correspondent for the Chicago Daily News.*



## TRENDS: WASHINGTON MOOD

and third hand, the implication was clear: LBJ thinks de Gaulle is trying to keep the U. S. off balance with his diplomatic beanballs and LBJ intends to ignore them.

The anecdote was circulated around the town's gossip circuit as "proof" of the President's disinterest in the problems posed by de Gaulle in Europe. It was repeated by some to illustrate that LBJ is basically bored by all foreign policy issues except those of a crucial or emergency nature, such as Vietnam or the Dominican Republic. It may be true that the President prefers to oversee the domestic sector, consult and negotiate with the Congress, joust with business and labor and minority groups, dwell on purely internal matters. But he can't escape the intrusive, vital, burdensome problems of war and peace.

In fact, nothing irritates LBJ more than the charge that he considers foreign affairs a nuisance. He can, in an instant, dredge up enough statistics to support his contention that he spends 80 to 90 per cent of his time on the nation's role in the world. Secret Service agents and White House staff members keep a record of all his conversations, telephone calls and meetings, the number and subject matter. They show that foreign affairs dominates by a heavy margin.

The President makes abundant use of these figures to polish up the portrait of himself as a deliberate, patient, thoughtful conductor of foreign policy, citing the large number of individual conversations and meetings he held, for example, prior to his decision to send Marines into the Dominican Republic. He took considerable pains to stress this because of the criticism that he shot from the hip and acted in the precipitous and impulsive manner that he so roundly condemned in his campaign against Republican presidential candidate Barry M. Goldwater. The criticism bothered him even though he could, and did, point to public opinion polls showing a majority of Americans in support of his actions.

A good case can be made for the fact that LBJ's frustrations about foreign policy—and the frustrations over Vietnam, particularly, are indisputable—arise mainly from the nature of today's world and the President's inability to apply the same techniques to the knotty international scene as he does to events at home. He can't put his long arm around a de Gaulle and cozy up in an intimate exchange as with an Everett McKinley Dirksen. He can't lay on the same rules of consensus and compromise—the same sugar-and-vinegar, stick-and-carrot rhythms—beyond the water's edge as he does here. Relations among countries are too untidy, ambiguous, erratic and stubborn for what has come to be known as the "LBJ treatment," a blend of conciliation, persuasion, bargaining, cajolery, with a whisper of reprisal, just in case. Moreover, it can be argued that the President's action-oriented character resists the great

need to be precise and to understand the nuances of diplomacy and history, although few men are better equipped with the intuitions and the sophistication required for survival in the murky arena of foreign relations than Lyndon Johnson. The impression that lingers is that things don't happen quickly enough and predictably enough to suit LBJ's restless spirit.

The President is not intimidated by the vast power at his disposal, and he has shown, both in Vietnam and Santo Domingo, that he can use it without shrinking but with considerable control and restraint. The communist concept of "wars of liberation" counted greatly upon America's supposed inability to limit its use of power, to respond flexibly, to react firmly this side of the massive nuclear strike. In the Kennedy period, Defense Secretary Robert S. McNamara and his theoretical strategists worked out a system of options which allows for only so much power as needed. It was put to the test in the Cuban missile crisis of 1962, and President Johnson has carried it a long step forward in Vietnam. One may quarrel with his policy in Southeast Asia, but he has been both supple and steady in turning the screws of escalation, and it is something of a new experience in U. S. history. This is little noted, however, because the man always seems to get in the way.

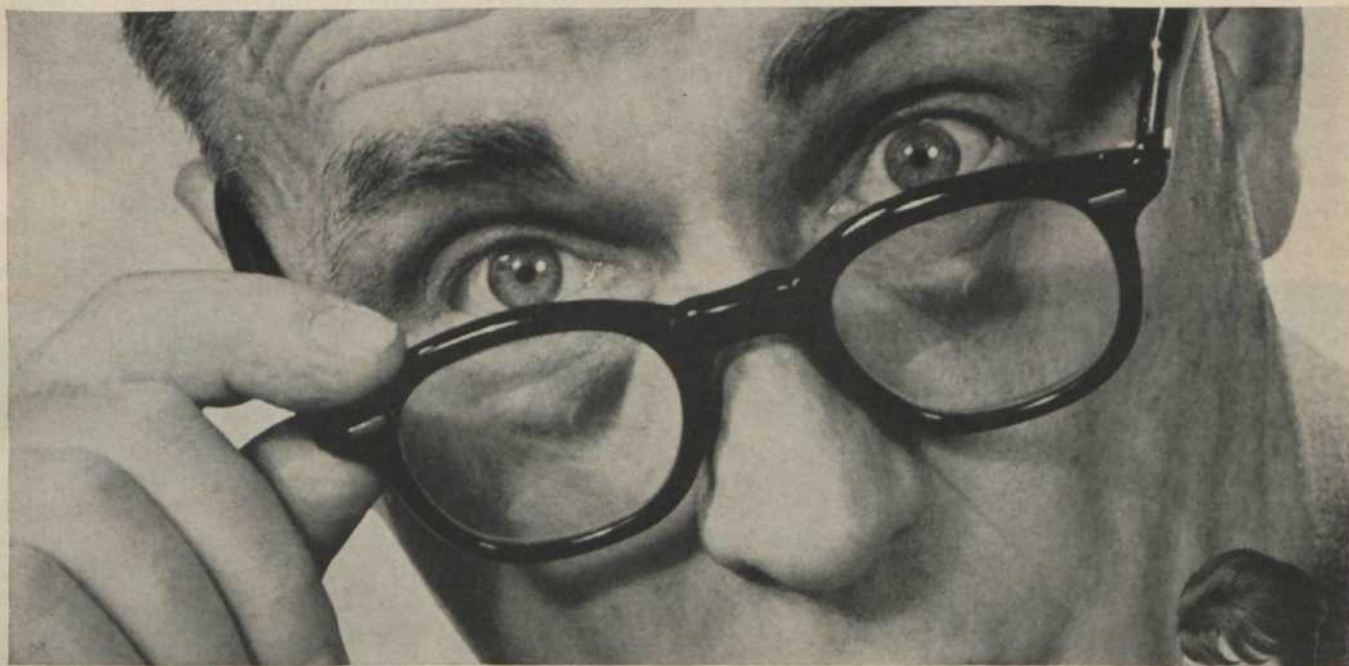
Someone once complained, with justice, that Lyndon Johnson was the kind of man about whom others are inclined to believe the worst. The legends of vanity and vindictiveness obscure the humility and largeness of spirit, according to the complaint. And there is surely more than sycophancy in the observation. It can be documented, for instance, that Vice President Humphrey plays a responsible, useful, influential role in the Administration, and that the President is both pleased and grateful. But the myth insists that Humphrey is kept on a short tether, does little more than errands, and thus is little more than a staff man, except that he is slightly less anonymous.

In the White House, the President has surrounded himself with men, many of them fellow Texans, with whom he feels more comfortable than he did with some of those who stayed behind after the death of John F. Kennedy. With the major exceptions of McGeorge Bundy, special assistant for national security affairs, and Lawrence O'Brien, the major domo of congressional relations, Johnson men now inhabit the White House. He has his own Secretaries of Commerce and Treasury and Attorney General in the Cabinet, and he relies upon his Cabinet in the more traditional sense than did his predecessor. Yet, because he seems larger than life or because he spends so much time scrubbing and burnishing the image of the Great Society or because he is a fascinating man of many quirks and facets or because he shrinks all those who walk and toil and sometimes quaver in his Bunyanesque shadow, he is the most talked about and made over man in town. And it appears at times as if he's the only one here.



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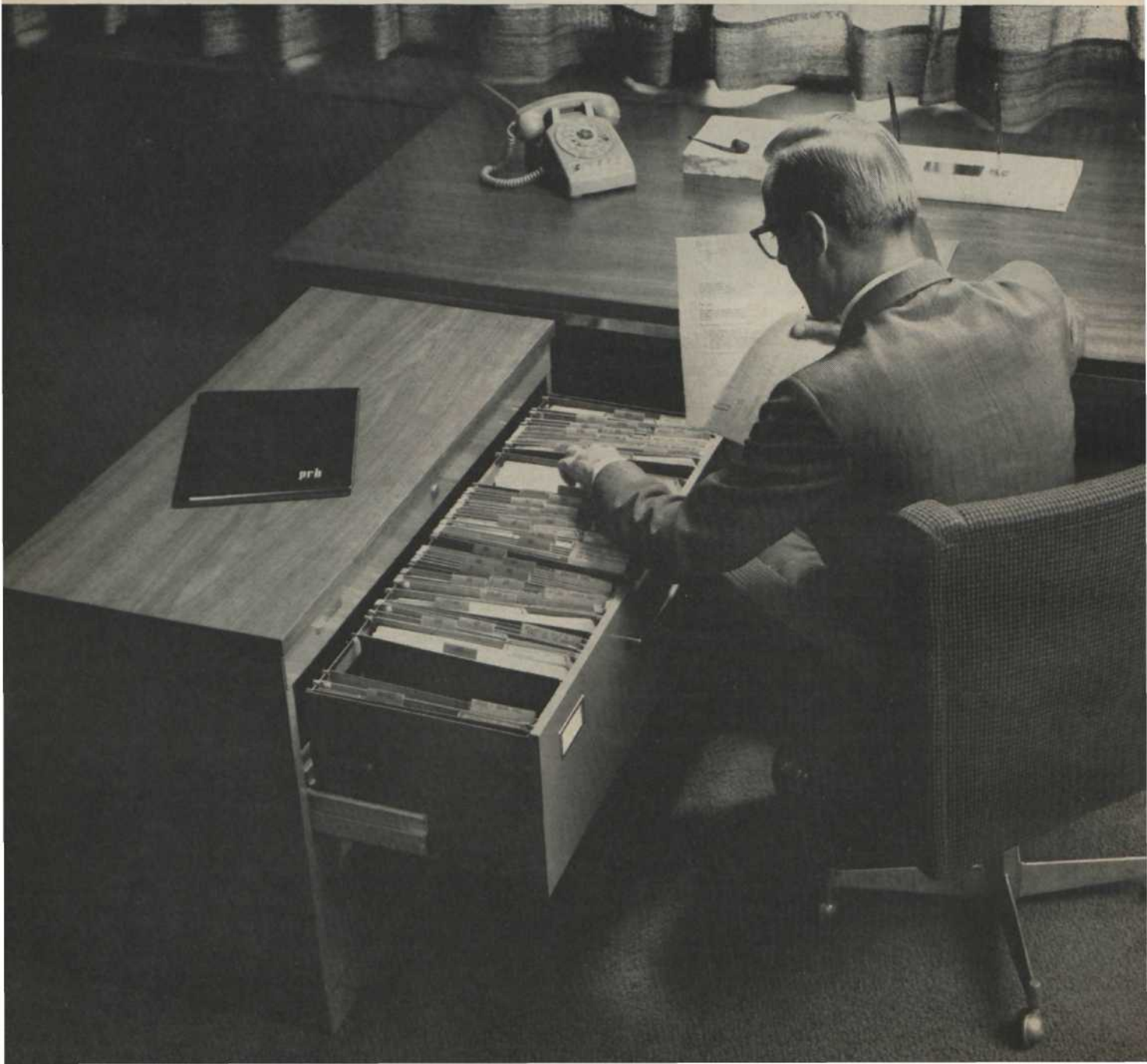
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## Will Americans have the last laugh?

BY FELIX MORLEY

UNDER THE TYRANNY of Stalin a Russian biologist named Trofim Lysenko gained worldwide attention for experiments which used agriculture to confirm the theories of Karl Marx.

In brief, Lysenko maintained not only that superior plants will be produced in superior soil, which is scarcely questionable, but also that plant improvement, once accomplished, becomes hereditary, which takes more demonstration than he was able to give.

This belief that acquired characteristics will be automatically transmitted was, however, directly in line with communist dogma. The latter affirms that environment is the all-important factor; that nurture is superior to nature. By extrapolation, from plants to human beings, Lysenko's doctrines made it easier for the Kremlin to argue that if you breed enough communists, everywhere, the condition of society will in time automatically improve.

Lysenko's biological dreams were from the outset regarded with great suspicion by scientists the world over. And, as enthusiastically applied to Russian agriculture, his procedures proved a dismal failure. Wheat production, for instance, instead of rising fell off to the point where huge imports were necessary to avert starvation. So, under Khrushchev, Lysenko was demoted. More lately his teachings have been officially denounced in Moscow as wholly erroneous.

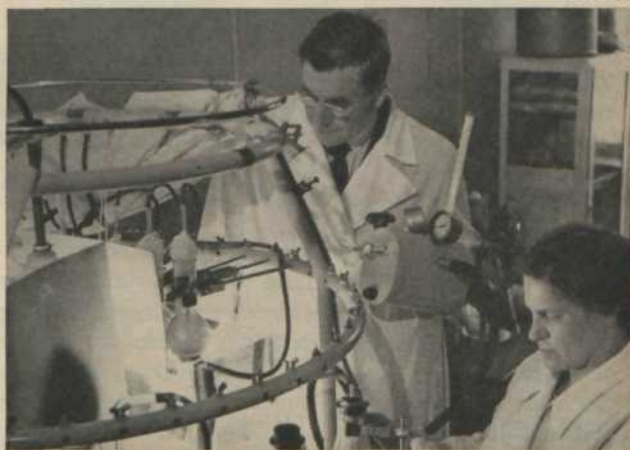
The occasional colossal blunders of communism are not unnaturally a source of amusement and comfort to Americans. But in failures associated with the name of Lysenko it would be well to look closely at home before laughing too loudly. In more than one field dogmatic rulings by our own Supreme Court are currently forcing domestic alterations as profound as those which undermined Russian agriculture. The effort to justify them is quite Lysenko-like.

One convulsing change, of which the desirability

is far from demonstrated, springs from the Court's ruling that both Houses of the State Legislatures must be elected on the same basis of equalized population. Yet it was in accordance with careful political thinking that the Constitution establishes the federal Senate on principles wholly different from those now demanded for State government.

The Founding Fathers were optimistic for the fu-

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*Soviet scientists can reject findings of past research quicker than we can experiments of the highest court.*

ture of the United States largely because they based our form of government on reason rather than on wishful thinking. "The science of politics," wrote Alexander Hamilton in 1787, "like most other sciences has received great improvement. The efficacy of various principles is now well understood, which were either not known at all or imperfectly known to the ancients." High among these efficacious principles Hamilton placed "the introduction of legislative balances and checks."

Two separate chambers, each designed to balance and check the other, were therefore recommended by the Constitutional Convention for the Congress of the United States. To obtain the offset it was necessary to have the two Houses representative in different

*Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.*



ways—one of the people on numerical lines; the other of the States on geographical lines. That was the simple origin of the House of Representatives and Senate as they exist today.

The formula was the easier to adopt because during the colonial period many of the original States had developed the same arrangement, with the upper house of the legislature representing counties or towns as such. Senate equality also helped to even the political power of the different States.

Because the system worked so well in practice, a favorable image of American government was soon created abroad. John Stuart Mill, the great English political philosopher, thought the United States had demonstrated that the best safeguard against unwise legislation is to have it scrutinized in advance from different viewpoints. For that reason a bicameral legislature, with its two houses not merely separate but distinct, is desirable for good government. When one house is thoroughly democratic, Mill wrote, "the other will naturally be constituted with a view to its being some restraint on the democracy."

Mill's cogent argument in large part paralleled that set forth, before the adoption of the Constitution, by James Madison in the *Federalist* papers. In No. 62 of these he points out that under the system devised: "No law or resolution can now be passed without the concurrence, first of a majority of the people, and then of a majority of the States." And in the following essay Madison assures us that the Republic will be far more secure and stable if, both nationally and locally, "the concurrence of separate and dissimilar bodies is required in every public act."

A legislative system that has worked so well for the United States as a whole would certainly seem suitable for the States composing the Union. Yet the Supreme Court has now arrogantly thrown the theory of a "dissimilar" Senate out the window, so far as the State legislatures are concerned. These must be reapportioned so that all members, of both houses, represent not counties or cities or geographic units, but substantially the same number of people.

This edict rests on the specious theory that "the equal protection of the laws" is violated unless one vote is always the arithmetical equivalent of another. But the irony is that this ultra-democratic philosophy cannot be applied to the Senate of the United States because its geographical representation is so clearly defined in the Constitution. So the Court is in the logically impossible position of saying that it is unconstitutional for the States to do locally what the Constitution requires them to do nationally whenever a Senator is elected to Congress.

The nationwide political turmoil aroused by these rulings is comparable to the tailspin into which Russian agriculture was thrown by enforced subjection to Lysenko's untested beliefs. Under communist dictatorship the mistake could be remedied as arbitrari-

ly as it was imposed. Rectification will not be so easy here unless the Court decides to reverse itself, as of course has often happened in the past.

When the Supreme Court first started to revise our system of representative government, Justice Frankfurter warned that it was taking sides in political controversy "which, by the nature of its subject, is unfit for federal judicial action."

Though unheeded at the time by a majority of his colleagues the prescience of the late Justice's dissent has steadily become more clear. In California, for instance, statewide referenda have shown that a large majority of voters do not want the sort of State Senate ordained for them from Washington. Now the Supreme Court has decided, albeit in an obviously reluctant ruling, that in the name of democracy the local majority opinion must be disregarded. The situation begins to make sense of Rousseau's mystifying assertion that: "Men must be forced to be free."

In No. 46 of the *Federalist* Madison argued persuasively that, even with a will to dictate, there would be limitations on the ability of the central government to extend its power. These limitations, he emphasized, would be natural as well as constitutional. "It is only within a certain sphere that the federal power can, in the nature of things, be advantageously administered."

Should there be "ambitious encroachments of the federal government," Madison then predicted, "they would be signals of general alarm." In the case of a large State this would cause "very serious impediments; and where the sentiments of several adjoining States happened to be in unison, would present obstructions which the federal government would hardly be willing to encounter."

These far-sighted observations gain timeliness from the interposition of New York in the reapportionment tangle. It was certainly a "very serious impediment" when that State's highest tribunal, on July 9, cancelled the special November legislative election which had been ordered under the Supreme Court's "one man, one vote" ruling. Even though a federal court reordered the election held, this is a problem in which the sentiments of nearly all of the States "happen to be in unison."

The Kremlin for a long time bulled through enforced adherence to Lysenko's mistaken biological theories, though at great cost to the long-suffering Russian people. Only the Justices themselves can say whether our Supreme Court will be similarly obdurate in the arbitrary political reformation now demanded of State governments.

But in the long run one may surmise that the careful reasoning of the Founding Fathers will be justified. Indeed, the conclusion of Madison's argument now fairly leaps from the yellowing pages on which it was written nearly 180 years ago. In no European tyranny, he asserted, would arbitrary dictation from the center of government be able indefinitely to override the popular will. "Let us not insult the free and gallant citizens of America with the suspicion that they would be less able to defend the rights of which they would be in actual possession."



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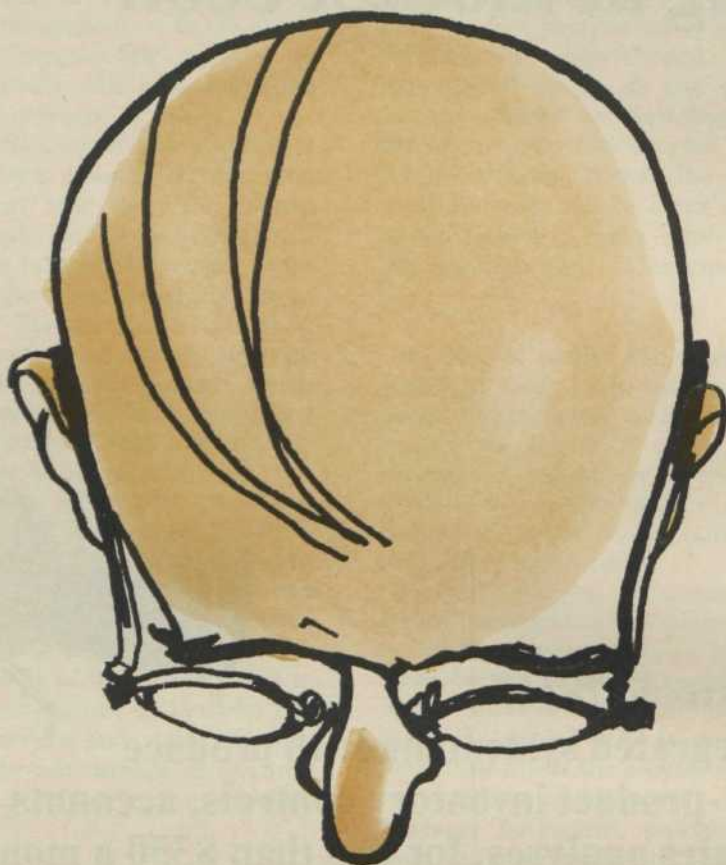


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# Can Subsidies Solve America's Problems?

TODAY in America, politicians are trying to make the subsidy the panacea for all of America's problems.

Private enterprise is being pushed aside in the rush to let government pay the way. Long-entrenched subsidized federal programs are being enlarged by billions of dollars.

Moreover, the money taken from taxpayers is being doled out in ways that are often contrary to the public good. This is in spite of the fact that the purpose of government subsidy for centuries has been to pay those who provide special services for the public good.

The distorted use of tax money is examined in four articles that follow:

A U. S. Senator tells how relief subsidies encourage shiftlessness rather than aiding the poor (Page 30). A community shows how it gives its idle jobs instead of handouts (Page 32). A university study documents how urban renewal is hurting residents of blighted sections (Page 34). A description of the public housing subsidy describes how the program breeds crime and violence, not a new life for the most needy (Page 36).



# Can Subsidies Solve America's Problems?

## A U.S. Senator's

BY **ROBERT C. BYRD**, DEMOCRAT, WEST VIRGINIA

Shocked by his findings of widespread welfare cheating, this lawmaker calls on all cities to check their relief rolls

AMERICANS are unwittingly spending millions of dollars each year to promote laziness, irresponsibility and outright immorality.

Ironically, all of this is being done in the seemingly sacred name of public welfare.

If taxpayers would look more closely at what is happening to their welfare dollars, I am convinced they would react as I did to the shocking discoveries of a field investigation conducted jointly by the U. S. General Accounting Office and the District of Columbia Department of Welfare.

I was personally outraged to learn, in this probe of public assistance payments, that 60 per cent of those drawing Aid-to-Dependent-Children and general public assistance monthly relief checks in the nation's capital were not eligible to receive them.

A subsequent investigation of the federal program of aid to the permanently and totally disabled revealed a startling ineligibility rate of 40 per cent.

Investigators came upon case after case in which people holding jobs were also pocketing relief checks every month. Relief recipients were interviewed who boasted that they preferred living off the public dole to finding work, although they were able to work and jobs were available to them. Sordid situations typically involved mothers of numerous children born out of wedlock who kept their paramours hidden away so that they could continue to qualify for relief.

In a typical instance, the investigators found a 35-year-old mother of four children who was getting assistance on the basis of a claim that her husband had deserted her. Further inquiry disclosed that she had known of her husband's whereabouts all along and had been receiving regular financial support

from him although she would not permit him to live regularly in the home.

In some cases "relief" money was going into purchases of expensive hi-fi sets, TVs, and other luxury items.

As chairman of the Senate appropriations subcommittee responsible for funding the welfare program of the District of Columbia, I was determined that these relief abuses would be cleaned up. A good start has been made toward achieving that goal; hundreds of freeloaders have been removed from District of Columbia's relief rolls, the program itself has been streamlined, its administration has been greatly improved and made more efficient, and we are reaching for even greater progress.

Yet I have become the target of bitter criticism and scurrilous abuse from many sides.

One organization has threatened to throw a picket line in front of my home, charging that I have acted to clean up welfare abuses only because of alleged racist sympathies.

Let me make this absolutely clear. I do not oppose helping those who qualify for assistance—whether orphans, blind, aged, or mentally and physically incapacitated. Nor is my campaign against public welfare cheating in any way related to questions of race. Nor is it a criticism of the Department of Health, Education and Welfare.

Public welfare, however, has become a public scandal of enormous dimensions.

### **Fraud nationwide**

I am confident that what has been found in America's capital city would come to light in other large cities if they employed trained investigators to check



# answer



PHOTO BY FRED WARD—BLACK STAR

out their welfare programs with the same thoroughness that has characterized the job done here. Yet, I do not know of any other city where this is being done, despite the fact that the national cost of conventional welfare programs has soared to \$5 billion a year. It will continue to climb, I predict, until our big cities take the steps necessary to prevent relief payments from becoming a haven for the indolent and shiftless.

We face other challenges on the welfare front, and one of the most urgent is the necessity of educating people to the fact that they should not bring children into this world unless they have the expectation and means of supporting them.

We face a crisis of priorities, too. Our financial resources are not unlimited. In addition to aiding those who are truly needy, we must provide education, health, police, recreation and other vital services for an expanding population. Every dollar spent on an undeserving relief recipient is a dollar siphoned away from other deserving programs.

It heartens me to find that hundreds of residents of the District of Columbia, and elsewhere, support my position. Letters pouring into my office daily are plain evidence, I believe, that most Americans are fed up with those who would prey on public welfare funds.

Some people criticize me for appropriating funds for investigators to check on the eligibility status of D. C. welfare recipients. I think the best answer to this was provided by a lifelong resident of Washington—a Negro lady—who recently wrote to me:

"If a wage-earner and taxpayer can quietly endure investigation relative to his loyalty to his country . . . why can't the deserving welfare recipient quietly

endure the price of investigation as the cost of unearned money?"

It has also been said that I am denying the District of Columbia a level of relief available to people in my home state. First of all, in my subcommittee chairmanship I can only deal with appropriations for the District of Columbia. What West Virginia does in the field of welfare is a question for the legislature of that state to decide. It also should be noted that my state imposes a ceiling of \$165 on welfare payments, but in the nation's capital there is no ceiling. A relief income of between \$400 and \$600 a month, including surplus food allotments, is not uncommon.

As for my personal feelings, I take most literally the Biblical admonition that we must be our brother's keeper. But it offends me to see this precept stretched and twisted to camouflage the transgressions of those who make relief a way of life—and, in some instances, a gainful racket.

Charity to one's fellow man should cease when it is perverted into nothing more than a scheme for dodging family responsibility, shirking one's own duty to society and discarding the respect we all owe to ourselves as human beings.

My critics do not take the time to point out that I have worked hard to give the District of Columbia, and the nation, the wherewithal needed, not only in welfare but also in other fields, to meet society's real needs. For example, education and health care, to name just two programs of national importance.

In Washington I have succeeded in recent years in strengthening the city's educational system, including more and better teaching services for mentally retarded children. (continued on page 66)



# Can Subsidies Solve America's Problems?

## A city's answer

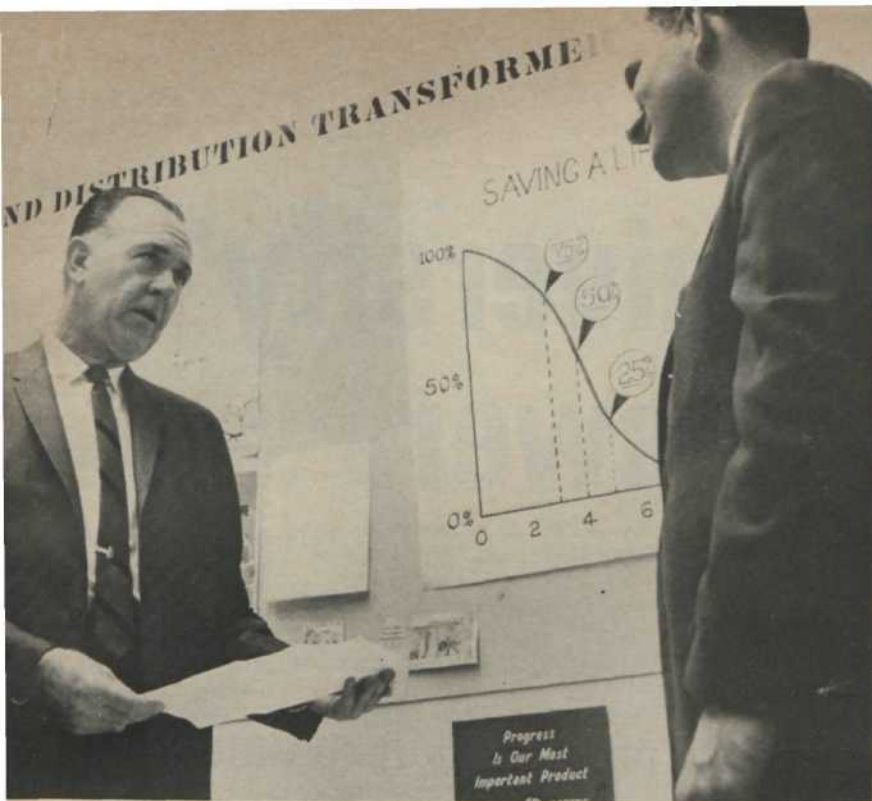
This California community puts its idle poor to work in a program that turns tax-eaters to taxpayers

PHOTOS: EUGENE ANTHONY—BLACK STAR

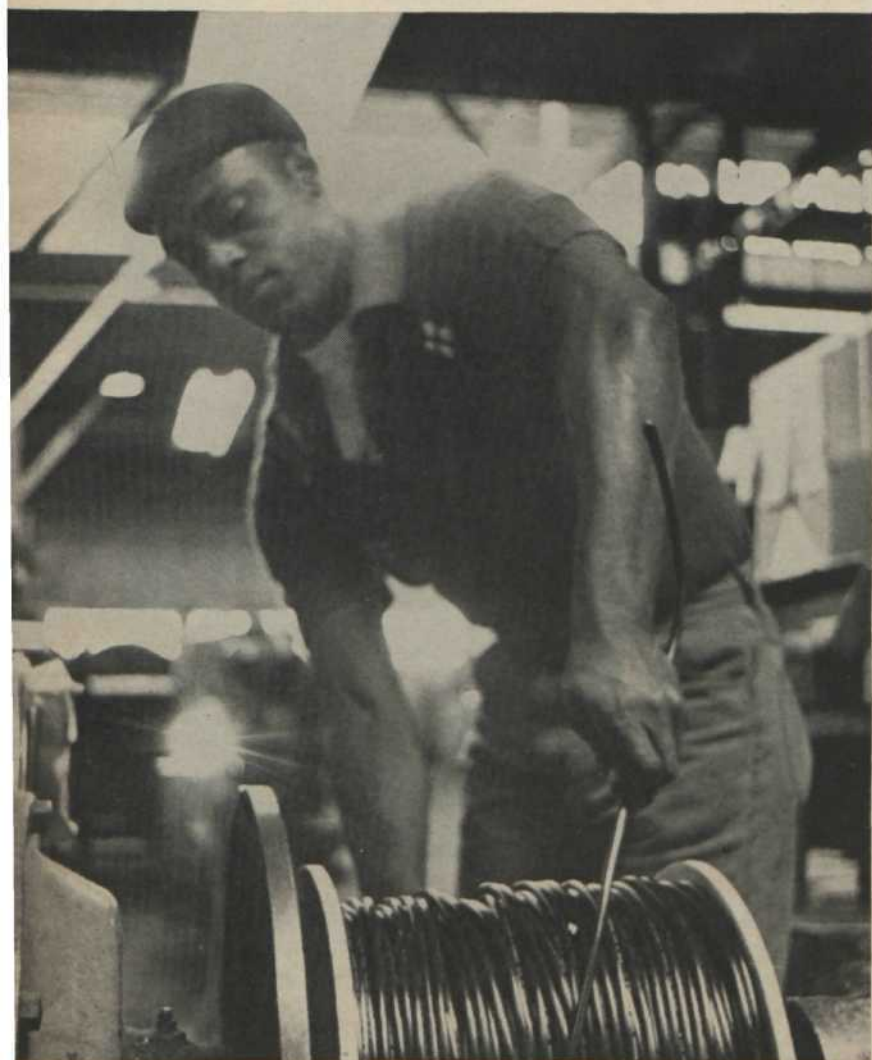


*Unemployed men, clustered here around their instructor near Berkeley, learn how to earn their own way as landscape gardeners in the area.*





Businessmen such as General Electric Co.'s E. F. Fitzmaurice (above, left) answer appeals in Oakland to hire jobless trained under welfare programs. One "graduate," Charles Newton (below), now supports his family of 10 by working at a G. E. plant.



OAKLAND, CALIF.—It isn't stretching things too far to say that for citizens of Alameda County, California, one of the most important events of last January 4 was the obscure opening of a landscape gardening class high in the wooded hills above Berkeley.

January 4 was a day when public welfare was big news in many places. New York City welfare workers struck for more pay and less work. And in Washington that evening, President Johnson delivered his State of the Union speech to Congress and television cameras; he promised big new government involvement in welfare, health and education matters.

Against such headline-grabbing competition, what makes the landscaping course so significant? Just this. It marks an altogether too rare attempt by local citizens to weed able-bodied persons from relief rolls by putting them back to work at meaningful jobs.

The event in the Berkeley hills thus provides an example for taxpayers across the nation. For this California county is showing today through a number of such training, educating and counseling activities that something can be done about rising welfare costs and growing numbers of poor on relief. And it can be done through local initiative.

A key element in its success is close cooperation by businessmen and business groups.

Look at the gardening class as a case history in what can happen.

The class was organized and paid for by the Alameda County Welfare Department, which covers Oakland, Berkeley and other communities across the bay from San Francisco. The demand is high from private contractors and public agencies for gardeners in this region of mild climate. Work is seasonal, to be sure, but the jobs are there for men with basic abilities. Thus, the class.

Its students were 14 unemployed men who had families and had been living off welfare checks.

The oldest of the group at 56, a father of four, had found his sixth-grade education and limited experience as a janitor, part-time gardener, handyman and sometime preacher wasn't enough to keep his family in food, shelter and clothes. He had been on welfare for the past four and a half years, receiving \$305 a month.

"People used to ask me how much I'd charge to put lime on their ground. I didn't know how to figure

(continued on page 84)



# Can Subsidies Solve America's Problems?

## A university's answer

The federal urban renewal program hurts businesses and residents of blighted area, academic study finds



*A searching investigation by Professors Charles N. Lebeaux and Eleanor Wolf of Detroit's Wayne State University reveals why uprooted businesses suffer losses, some fail to reopen.*



A 66-YEAR-OLD Detroit plumbing equipment manufacturer wonders anxiously today whether a federal program will force him out of business.

Like 120,000 other businessmen in other cities across the nation who will face the same threat by 1972, the Detroit man is in an area slated for demolition under the multibillion dollar U. S. urban renewal program.

This is the program under which a city condemns buildings in an area if it believes at least half of them are substandard, clears the land and sells it to private developers. The federal government subsidizes the process.

The Detroit businessman, however, unlike many others displaced, has already been forced to make two costly moves in the past dozen years. First, his original place of business, then the site where he relocated were in turn staked out for the urban renewal wrecking bars.

"Sometimes I don't know whether I want to go through it again," he says, recalling that his last move, entailing transfer of 32 pieces of machinery, cost him \$40,000 to \$60,000. And the cost of buildings keeps going up.

If he does decide to move again and stay in business, concern for the fate of his 20-odd employees will be a big factor, says this businessman, a German immigrant in this country since 1923. "I want to be loyal to the people who have been loyal to me all these years."

A penetrating new academic study of urban renewal in Detroit dramatizes the problems of businesses uprooted by the program—an estimated half of the establishments forced out of the area are now out of business. The study deals specifically with the area most recently vacated by the plumbing manufacturer.

#### Relocating slums

It reflects deep resentment among displaced slum dwellers—the residents as well as those operating businesses—who feel their eviction severely disrupted their lives and imposed economic hardship.

Authors of the work charge that "urban renewal relocates the slums" and that mere announcement that an area is to be cleared helps kick it downhill. They describe this predicament as "blight by announcement."

The critical two-volume, 661-

page study was sponsored partly by the federal Urban Renewal Administration. It shows how local business can lend vitality to a neighborhood and reveals that nearly half the slum dwellers who have been relocated would prefer to be back in their old neighborhoods.

The study was commissioned by the Mayor's Committee on Community Renewal, the Detroit agency responsible for developing the city's urban renewal efforts and monitoring their progress, and cost \$114,000, with roughly two thirds paid by the federal government.

Designed to assess the impact of urban renewal in human terms, it was carried out by professional interviewers directed by a staff of a dozen researchers with full access to data from the files of the Detroit Housing Commission. It took a full year to complete.

It was headed by Professors

Charles N. Lebeaux and Eleanor Wolf of Detroit's Wayne State University, who describe themselves as "a couple of notoriously independent social scientists." They don't oppose the intent of urban renewal, just the way it's run. Their position:

"If urban renewal as we know it now is not really equipped substantially to improve the housing environment of most poor people, we must surely insist . . . that the program not do them any harm."

Detroit housing and urban renewal officials express considerable agreement that the bulldozers have been pushing the businessman around.

A few also concede that there is evidence that urban renewal accelerates blight by announcement and serves to transplant slum problems elsewhere in the city.

The city renewal workers agree  
(continued on page 88)

PHOTOS: ROBERT BENYAS—BLACK STAR



*Nelson Cloud suffered loss of \$1,000 a month waiting for the city to settle for his property after many customers were chased away by urban renewal plan.*



*Morris Stegman, who was forced out of one location, found another site for his pharmacy. Before he could move, the city decided to take his new property, too.*



**Can  
Subsidies  
Solve  
America's  
Problems?**

# **An industry's answer**

The dramatic and documented failings of public housing must be ended, real estate people urge

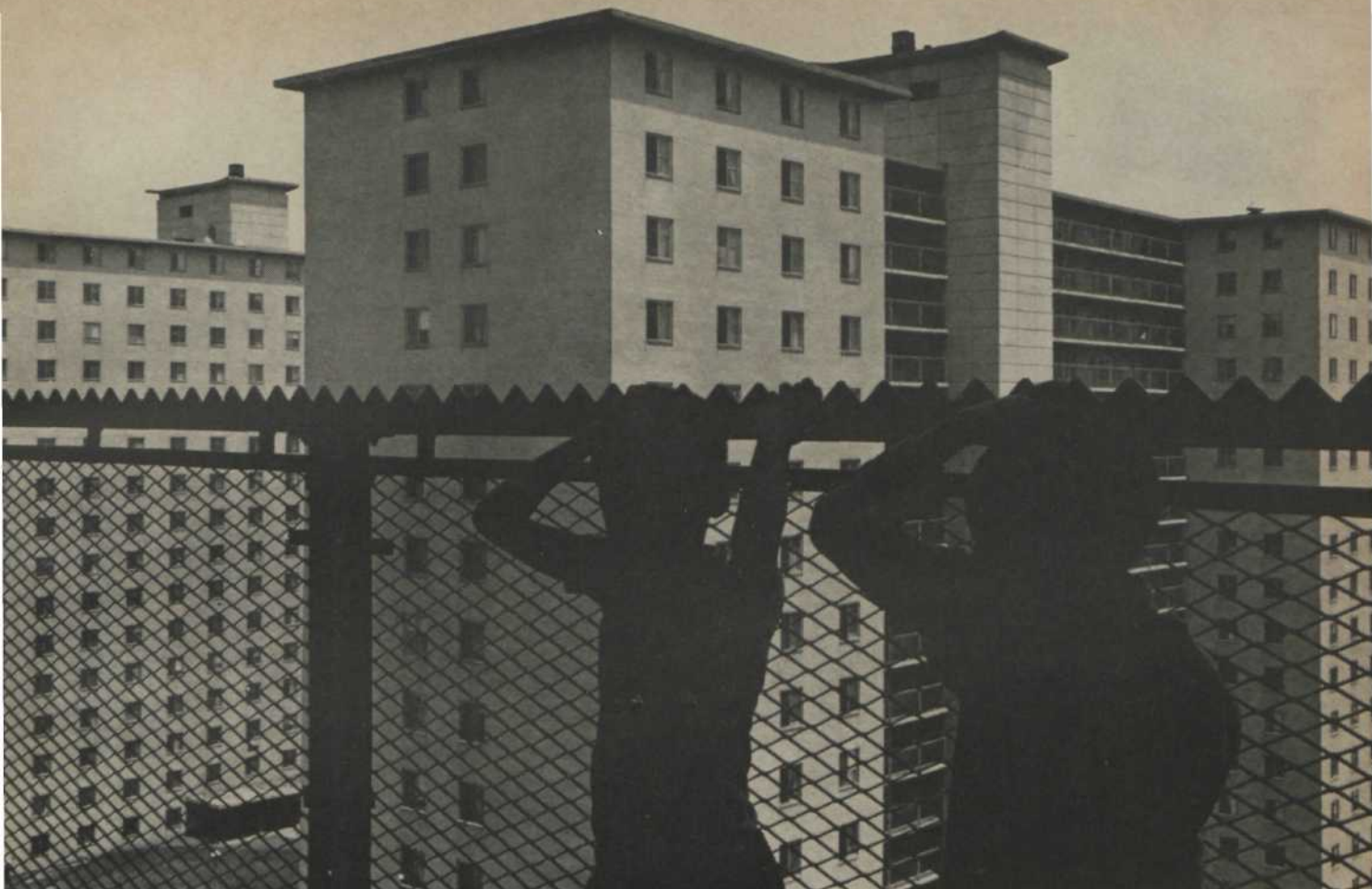
*Social stigma and bad location cause people to shun living in subsidized projects like this one in Denver.*

*Unit cost of this building compares favorably with government apartments built same year.*



BRUCE MCALLISTER—BLACK STAR





DIANE KOOS—BLACK STAR

*It's a bleak life for children in this subsidized Chicago project.*

*Workman wears hard hat because of objects thrown from apartments.*



At 11:40 p.m. last Feb. 20, James Harrison pressed an elevator button in a building not far from downtown St. Louis.

He and his sister had been visiting their mother in her fourth-floor apartment at 2349 Division St., in the Pruitt-Igoe public housing complex.

The automatic elevator door slid open. It was dark inside. The 38-year-old St. Louisan stepped ahead of his sister into what he thought was an elevator with a burned-out light and hurtled headlong down the empty shaft.

This was no accident. Mr. Harrison was the victim of a special kind of vicious tampering. Someone had jammed the elevator door's automatic locking device so that it would open at the wrong time, when the elevator was not at that floor.

His death has national significance because of what it savagely symbolizes: an alarming, out-of-proportion rise in violence and death in the subsidized federal program called public housing.

Many social planners who once  
(continued on page 81)





PHOTOS: FRED WARD—BLACK STAR

# **ART BUCHWALD ON**

**TAXES**

**LBJ**

**AUTOMATION**

**THE STOCK MARKET**

and a whole bunch of other things



ART BUCHWALD is a sort of citified Will Rogers.

His internationally syndicated column, "Capitol Punishment," inventively ribs inhabitants of the Washington scene and makes the most complex issues of our times ridiculously clear. His whimsical view of politicians and lofty institutions has America firmly by its funnybone. But for some Washington residents in high places it hurts too much to laugh.

His latest book is called, "And Then I Told the President."

NATION'S BUSINESS editors recently asked the popular political satirist to join them for an interview at the National Press Club in Washington.

After picking over a calorie-watcher's luncheon of cottage cheese and melon balls, Buchwald fired up his cigar and unwound on questions ranging from what makes the stock market act that way to the plight of overage computers to tax reform. Here's what he had to say:

## Is everything all right in Washington?



The farther you are away from Washington, the more you feel that things are under control.

The nearer you get to the seat of power, the more worried you become. And it is obvious why. How can you believe that the guy who is cutting his lawn next door

and whose kids are fighting with your kid, is the same guy who is in charge of some big live-or-die foreign policy?

We go to our PTA meeting and we meet the people who are running the country.

When they start talking about PTA matters, you get a little nervous.

I was put in charge of Civil Defense for the PTA. Somebody called me and said, "What the hell do you know about Civil Defense?" He was a guy with Civil Defense in the government.

I said, "Nothing."

He said, "What are you doing in charge of Civil Defense?"

I said, "I don't know."

He said, "What do you think of it?"

I said, "I don't believe in it."

He said, "To tell you the truth, neither do I."

That is the kind of people you meet in Washington.

It kind of scares you. Actually, I don't like to talk to anyone in Washington. It confuses me and leaves me depressed.

## Big issues of our time



The biggest issue of the year was the accusation against the British cheating at bridge in Argentina. That really threw me. I could accept everything else. What is there left to believe in if the British cheat at games?

The other issues are minor—things that I don't think

concern many people—such as Vietnam and the Dominican Republic. I am not getting excited about them. The way to solve the problem in the Dominican Republic—in Santo Domingo—is to make a North Santo Domingo and a South Santo Domingo, with a demarcation line, and promise them elections in two years. And then decide which side we are going to support. I think this is the best way to solve any international dispute.

## How can we end the Vietnam mess?

My solution for Vietnam is to make an East Vietnam and a West Vietnam, then we will have half the commies on our side and half on their side. And we might have the Buddhists and the Catholics split up. We might get a government out of it.



## To solve the balance of payments



I have the Buchwald plan to solve the gold outflow. Instead of going on the gold standard, we should go on the used-car standard and make used cars into bars, like they do gold, because we have a lot more used cars than we have gold; and we don't know how to get

rid of them anyway. We have more used cars than any European country. So we'd have this advantage over any other country if we went on the used-car standard.

## Truth about automation

I think the most serious problem we face is not automation taking people's jobs away, but new ma-





chines taking old machines' jobs. You have now many computers that are 10 and 15 years old, and they are being replaced by new computers. And these old computers have no place to go, and they can't learn a new trade. I think we should have some training program for old computers.

I believe the federal government has to do this, because private industry has no feelings for computers. They don't even give an old computer a watch. One day it is just not there any more.

### Real tax reform

I was very rich when I was poor. But since I have been rich, I am very poor now. This is because the more money you make, the less you have.

I really think that the rich are overtaxed and the poor are under-taxed. I think we should work out the tax structure a little better and put the poor people in the 70 per cent tax bracket and the rich people in the 10 per cent bracket, because we rich really know what to do with our money and the poor people don't.

### Another tax cut?

The tax cut is the worst thing that happened to America, because before the tax cut, everybody had gotten along on what they were making. They were sort of used to it. Suddenly they announced the tax cut and all the women went out and went crazy buying new stuff. Now everybody is in debt.

I wish they wouldn't have another one.

### Why all this picketing?

I have been very interested in the theory that the government has been putting out, that if you picket, you give encouragement to the communists because then they don't believe you are united.

I have a theory that there are about three professors at the Uni-

versity of Kansas that are preventing us from getting an agreement in Vietnam. If these guys would just stop it, I think the communists would go along with whatever we wanted to do.

### The federal beauty treatment

I think the President is doing the right thing to make America beautiful, and I wish Lady Bird would come out and take a look at my lawn, and tell me what I can do with it.

### Culture in Washington

I thought the best way to do it was the way Johnson did it, get it out of the way in one day with a White House conference. You don't want culture hanging over you all year long. They accused me of hitting the President below the belt when I criticized the Administration on this. But he is so tall that I have no other place to hit him.

### On Washington rumors

I think probably most of the better rumors get started at the National Press Club, at the bar, and it is usually started by some drunk around five o'clock in the afternoon and it only becomes a fact around nine o'clock the next morning when it is repeated to somebody in a UPI or AP office.

The cocktail circuit is very big on rumors too. As a matter of fact, the thing that I have been constantly amazed at is most of the hard news in the Washington papers can be found on the society pages where the society reporter says, "I saw the Russian ambassador and his lovely wife. She was wearing a red hat with a rose in it and a beautiful pink dress, and the Russian ambassador said he was going to declare war on us."

There is one thing about this town, as far as rumors go, and this Administration: Johnson wants to announce everything himself. The easiest way that you can do a guy out of a job in the Administration, if he is being considered for it, is start a rumor that he is up for it, because that way you can be sure that he won't get it.

### Explaining the stock market

I have been very curious about this Wall Street business. Every day something happens to make Wall Street change its mind. The thing that really has interested me

all the time is why, when we are on the verge of an atomic holocaust, in which the whole world is going to be wiped out, a guy wants to sell his AT&T. I really don't know who the guy is who is doing all this.

He panics, and then the whole country panics right with him.

If I were on the verge of World War III, I wouldn't know whether to sell or buy Xerox.

And I am speaking now as a Civil Defense chairman of the Horace Mann Elementary School PTA.

But I think the economy will go up if they can put Federal Reserve Board Chairman Martin in a box somewhere and not let him speak.

I was also very interested to see that they sent General Maxwell Taylor to Wall Street as soon as he came back from Vietnam. I was glad he reassured Wall Street before he reassured the rest of the people that everything was all right.

### Seen any Republicans lately?

There are very few people who want to admit to being Republicans these days. In a few years the Republicans will probably go underground, and there will be a lot of people calling their friends "Republicans," kind of like a dirty word.

### Businessmen in politics

Get a good trust fund and have your trustees invest wisely because you can go busted when you work for the government. Try to get a scholarship for your kids because you will never be able to afford to pay the school bills.

I know a few politicians who have made very good businessmen. Bobby Baker, for example. As a matter of fact, I think politicians probably make better businessmen than businessmen make politicians. I believe more politicians should get into business.

### On reforming congressmen

One of the things I feel that Congress isn't doing is that they are not building enough buildings for themselves. They have this one charming little \$125 million Sam Rayburn building that they just built, and it houses as many as 166 congressmen at one time. It was built with style. It takes up about four or five blocks, and the kinder critics call it "Early Mussolini" architecture.

I have a feeling that they should





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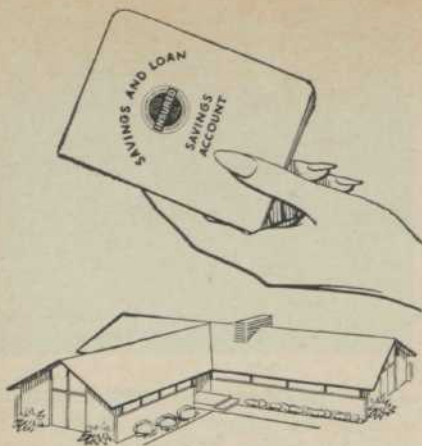
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## ART BUCHWALD

*continued*

be building more buildings like that instead of wasting the taxpayers' money on education and health and roads and things like that.

This is one way they could reform. One must remember, Congress is no longer the third power of government. It seems to have become an arm of the Executive branch, and a rubber-stamp arm at that. Nobody hears from Congress any more because they are doing everything they are told to do. These congressmen are very frustrated, and so are the senators, because they are not getting in the papers. Unless they become an opposition again, we are never going to hear about Congress. They are just going to disappear like the Republican Party. There is talk they may even put some of them in the Smithsonian Institution.

The only senators who make the headlines are the ones who disagree with Johnson. But that is very dangerous stuff for a senator to be doing these days. So the senators are trying to figure out how they can attack Johnson to make the headlines and still get those dams and space centers they want.

### Comers to watch

Hubert Humphrey is a comer.

I would keep my eye on that fellow. I think he is around somewhere.

You have a problem in this town in that there are no personalities any more. The President isn't about to have anybody share the stage with him. And from a humorous point of view, this is very difficult because you have very few personalities to work from. It makes my job a lot tougher. I have to invent people, like Barry Goldwater.

### Sows' ears from silk purses

Even when Johnson is announcing good news, it sounds like bad news. Humphrey should announce the bad news, because even when he is announcing bad news, it sounds like good news.

Humphrey has been very upset because McNamara has been announcing a lot of the bad news that he thinks he ought to be announcing.

### Which are conservatives?

Apparently a conservative is somebody who wants to bomb Hanoi or Peking. A liberal is somebody who just wants to bomb the Viet

Cong and South Vietnam. A moderate just wants to bomb Laos.

It keeps changing from week to week.

### Why business likes Johnson

I really think big business likes tall men.

### De Gaulle likes De Gaulle

There is a story about a tourist who came to the concierge at the Hotel George V, and he said, "I just saw President de Gaulle praying at Notre Dame." And the concierge said, "To whom?"

I think de Gaulle and Johnson have a lot in common.

I am grateful to de Gaulle because he also is a personality and gives me stuff to write about, which is not true of whoever is in charge of Italy now, or England. Or whatever-their-names are in Russia.

I am one of the few Americans who misses Khrushchev. He was such good copy.

### Why businessmen worry

My feeling is that businessmen have to be worried about something. They would be very unhappy if they weren't stewing about something. So if it isn't the Greek drachma, it is the Swiss franc or the Russian ruble. This year they are worried about the British pound. I think business should organize a "Worry-of-the-Month-Club."

### Depression dangers

I have a house, and I don't know how long the bank will let me keep it. But I have stopped being afraid of depression because if they take my house, they will take everybody else's, and the bank is going to have a hell of a time selling them all.

### Taxpayers' chances

I suspect that the more machines the Internal Revenue Service puts in, the more chance they have of catching me.

The IRS has been going to some trouble in recent years to put on a little friendlier face to the public but they keep putting in those computers. You had a chance before the computers. But nobody has a chance now.

I would rather have them put on a terrible face and not catch me.

### To get action in Washington

First, you need a parking area. You can't get anything done in this town without a parking space. This town has so many bad restaurants in it that you can get a lot done



during your lunch hour. Nobody wants to go to lunch.

### The 1968 election

I think the biggest issue will be should the people have elected Barry Goldwater and had his moderate foreign policy, as opposed to the warlike policy of President Johnson.

As to who is going to be the Republican candidate, Barry Goldwater says Nixon. So you can be sure it is not going to be Nixon.

Republicans now are part of Americana—some sort of a national monument. I think we should keep a few just to show our children what they looked like.

### Government too big?

I think if you have a big man in the White House, you should have big government. I would like to say that everything big scares me, not just big government. My biggest fear is becoming a number, and it is not only the government that makes you a number. Every business has you as a number now.

And if you call in and complain about something, they say, "We are very delighted that you called. We will get on it right away. This is a recorded announcement."

### On success

The success of a person in this country is really dependent on how much exposure he has had, and the more exposure you have, the shorter your career is. The press creates these things. And then the press gets mad at itself and it wants to knock them down.

I think we are a nation of short things. We want to get it over with. That's why you find fads in this country, James Bond, Metrecal and low carbohydrates.

We have the success syndrome here which is drilled into us from the start. You have to be a success, and we have the communications to do it overnight. And at the same time we just don't have the patience to absorb it.

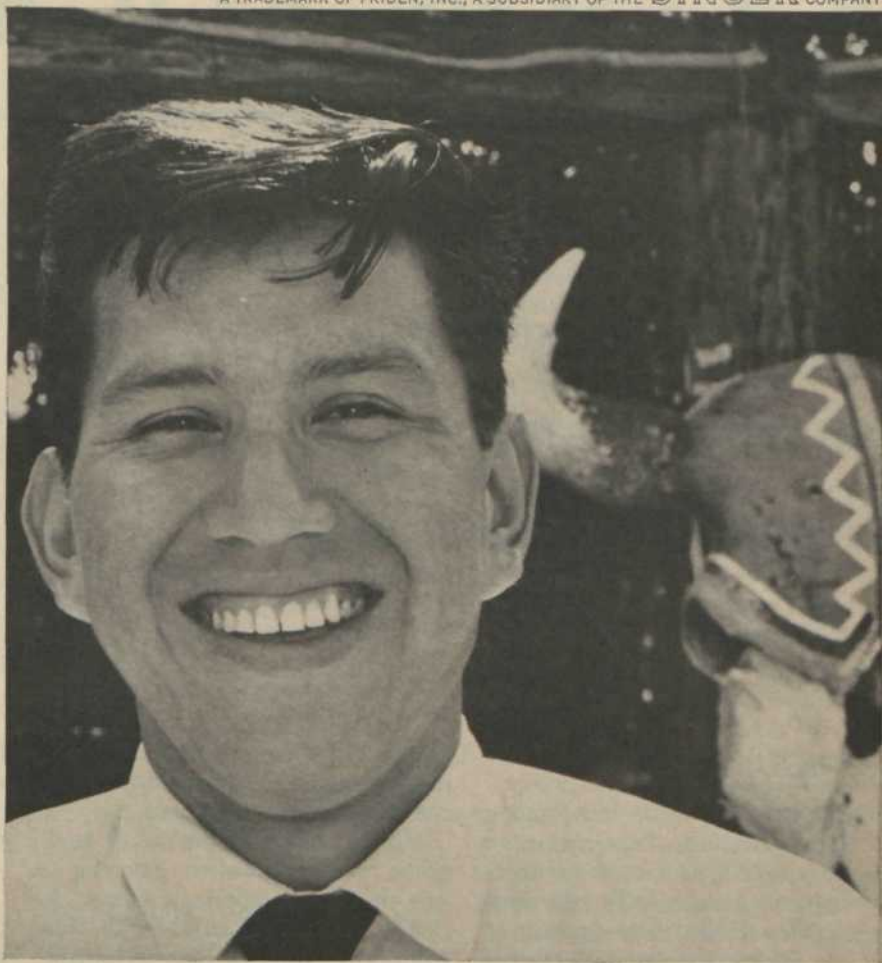
### No more hicks

Communications are such today that the sophistication of a column I write is just as understood in Cheyenne as it is in Chicago. There are no more hicks. People are fairly hep.

The only trouble with us is that with communications what they are, it's quite possible that on Wednesday, October 19, 1966, the entire nation all at once will decide that I am not funny any more. **END**

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## Here's Herbert Redbird, Kiowa Indian. He runs a computer.

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# A LOOK AHEAD

## New stock market battle

(Credit & Finance)

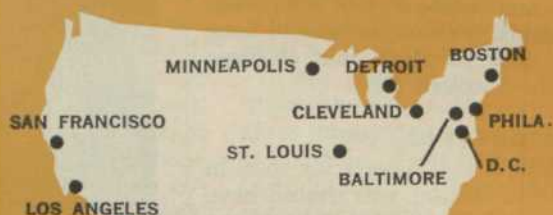
## The organist is a cop

(Marketing)

## Employers face tip headache

(Taxation)

### Where teachers' clashes threaten



## AGRICULTURE

Bubbling away softly in a cranny of the Agriculture Department in Washington is a pilot plant for turning whole—not skim—milk into powder. It dramatizes determination of federal scientists on a project that could have high impact.

The big hurdles, say experts, are lengthening powder's shelf life and improving its taste. It now keeps for two to four months without refrigeration. Some claim it's already as palatable as fluid milk but others disagree.

U. S. aides see first market for the dry milk in orphanages, children's hospitals. They begin testing milk there to see if kids like it. Commercial dairies so far show little interest in product, federal men claim.

Some dairies experiment with sterilizing milk—a process for keeping fluid milk fresh for long time. It invades Alaska, where transport is a problem. University of Wisconsin pushes research on process.

## CONSTRUCTION

How do you beautify a city? There's no question but that this question will pop up more and more in what you hear from Washington, since Johnson Administration is thoroughly committed to its beauty campaign.

But here's how businessmen already have been leading the way in one city—Los Angeles:

More and more firms call in landscape architects when planning a new building, reports Frederic A. Chase, executive director of Los Angeles Beautiful, a citizens' organization. Companies get citations for outstanding landscaping. Judges give high points to firm that creates beauty spot in drab section of city.

Downtown building owners plant Indian laurel trees along curbs at cost of \$500 per tree, including protective grill works. Home owners have planted an estimated 200,000 trees at \$25 a tree in L. A. County over last seven years.

New newsstands spruce up downtown corners. Aim is to clear away vendors' junky-looking boxes, racks. Building owners began buying \$600 specially designed stands this spring.

## CREDIT & FINANCE

Battles—plural—now in crucial stage among brokers and between securities industry and government will determine how much you will pay in commissions on stock you trade.

New York Stock Exchange proposes: a 3½ per cent general boost or about \$1 per average transaction; volume discount for big buyers of 3,000 shares a day or more; a \$1-\$5

monthly service charge on customers' accounts held by brokers.

It studies changes in extra fee charged for odd-lot—smaller volume—transactions.

An Exchange survey reports about one third of its member firms lost money last year on commission business.

But some larger firms such as industry's giant, Merrill Lynch, Pierce, Fenner & Smith, fight a price increase.

The Securities and Exchange Commission wants to be shown. It demands Big Board present facts, figures supporting rate changes. SEC holds veto power. Final decisions could come later this year.

## FOREIGN TRADE

A date nearly two years away begins to worry negotiators of big tariff-cutting round now under way in Geneva. Or so they say.

President's power to make wholesale tariff slashes dies June 30, 1967. But negotiations drag so badly they could fail to end by then.

"The slow pace of the talks is beginning to get serious," confides one adviser of President Johnson. "It may be very difficult to get Congress to extend the President's powers when the law runs out."

You'll hear more such talk in



months ahead. It's a way to put pressure on balky bargainers, if nothing else. At best, though, an agreement isn't likely before next summer, say most optimistic diplomats.

Big trouble remains failure of U. S. and Common Market even to approach a deal, so far, on farm goods. Common Market nations still don't know own mind on how liberal to be with imports of U. S. farm goods.

## **LABOR**

The war over organized labor's invasion of the classroom hits new peak this fall.

The National Education Association, long-standing teachers' professional organization one million strong, is counterattacking against recruiting by American Federation of Teachers, 120,000-member offshoot of AFL-CIO. Both want to represent teachers in collective bargaining with local school districts.

Fighting can bring strikes, demands for more teacher say-so in policies traditionally set by school boards.

Trouble centers in cities. Major representational battles are underway in Boston, Baltimore, Washington, D. C. Teacher's union is making big drive in St. Louis, Minneapolis. NEA launches comeback in Philadelphia, Detroit, Cleveland, where it lost recent elections.

New Washington State law requires school districts to hold representational elections when asked. Probable result is raft of local elections in coming school year. California legislature gives boost to recognition of teachers bargaining groups, foreshadowing battles in San Francisco, Los Angeles.

## **MARKETING**

Next Christmas, if you hear the department store organist swing into "Diamonds are a Girl's Best Friend," a heist may be in progress at the jewelry counter.

It all has to do with preparations

retailers are now making in bracing for the Yuletide mobs. Now is the time final decisions on plans from promotion to protection are being locked up.

"From his vantage point high in the store, the organist becomes a very important member of our security team," says Carmen Eichel of The Bee Hive, Patchogue, N.Y. "He indicates which departments are being hit by a shoplifter through coded musical selections."

Department stores take in about 18 per cent of annual sales at Christmas, the National Retail Merchants Association estimates.

"Don't take too much of the Christmas tradition out of your displays," advises Al Coffey, display expert for Genesco. "Please! No pink rockets or purple bombers." He advises catering to snob appeal.

## **NATURAL RESOURCES**

Coming for manufacturers: stronger, more adaptable alloys and other solid materials.

When? Well, that's another question.

What's certain is that scientists are taking new strides in discovering what makes metals, other solids strong or have other industrially important properties. But they have long way to go.

"Solid materials are world's greatest mysteries," says Guilford Hollingsworth, chief of Boeing Scientific Laboratories in Seattle, where detective work is going on. "We have empirical knowledge of what certain metals do under certain conditions, but we don't know why."

A magnesium cadmium compound gets stronger—not weaker—when heated, for example. The whys hold obvious importance for aerospace, other industries.

## **TAXATION**

Tips your employees receive may cause new headaches for you.

Congress hears estimates that over

1 million employees—mostly in restaurants and hotels—pick up over \$1 billion a year in tips.

Internal Revenue Service contends too little is reported by workers when they file their tax returns. Withholding by employers would funnel more cash to government faster.

Congressional debate over income tax withholding and social security tax treatment of tips was a sleeper issue in bill raising social security benefits.

Employer payment of social security tax, withholding of income tax puts him at mercy of whatever waiters report to him, restaurant men complain. This makes it difficult to forecast cash needs for such tax payments to the government.

Labor Department also wants to proclaim tip standards for regions of the country in calculating minimum wage rates for restaurant, other tipped employees. Restaurants traditionally haven't come under federal minimum wage law. Owners figure waiters average half their income from tips, rest from cash wages, free meals, other fringes.

## **TRANSPORTATION**

The 2,000 miles-per-hour passenger plane may be five to 10 years away, but advance planning which will shape its use is already well under way.

Airlines study new ground service equipment for super-fast pit stops.

Informal studies of crew requirements are going on. Will the plane need a navigator? Do you pay crews by elapsed time when flights are so quick?

Several airlines size up management, personnel, equipment needs by flying an imaginary supersonic transport—SST—over their systems via a computer.

Uncle Sam readies an air traffic control system for SSTs. Federal Aviation Agency simulates SST flights on radar scopes for practice. Pilots fly make-believe supersonic flights in dummy cockpits.



# LESSONS OF LEADERSHIP

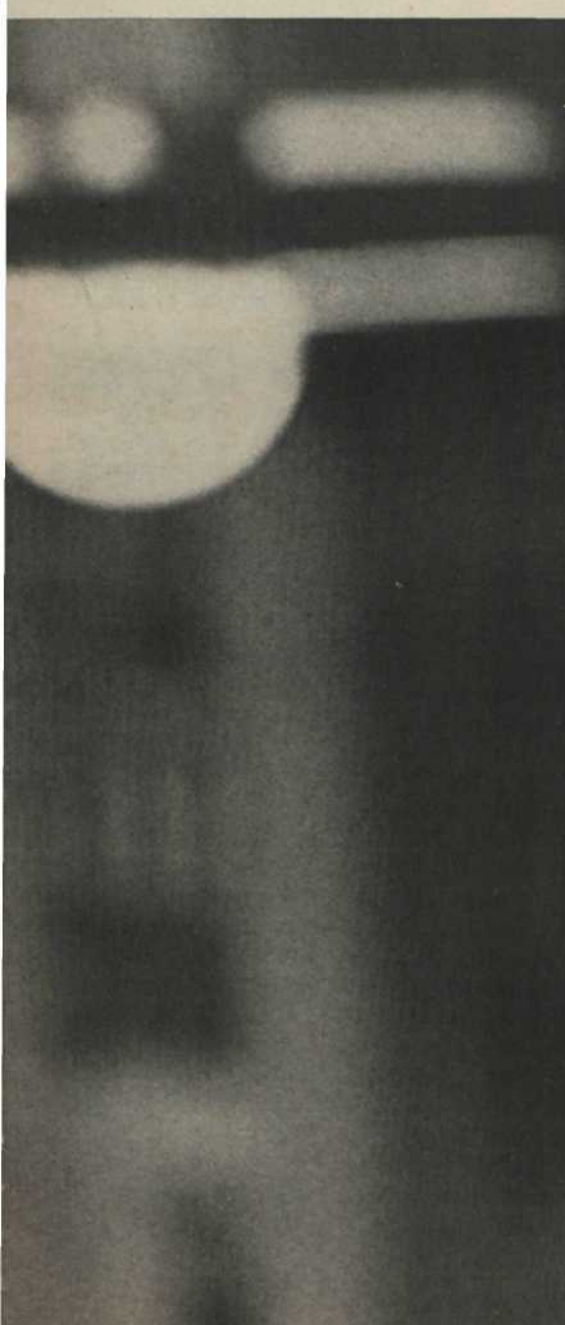
*What will our next move be? Is he the right man for the job? What's the competition up to? Typical and demanding questions of life in the executive suite. Questions the computers or consultants can't always answer. They take the special wisdom acquired through long years in charge of getting answers and getting results. This is a priceless asset business veterans possess. In this issue, Nation's Business brings you the third part of a new series: Lessons of Leadership. The series will present the accumulated wisdom of respected statesmen of American business told in interviews with Nation's Business editors.*





# PART III: STAYING ON TOP OF CHANGE

A conversation with Jesse W. Tapp of Bank of America



JESSE W. TAPP is an economist. And an agricultural expert. And a student of foreign trade. And an administrator. And an educational policymaker. And an adviser to Presidents and governors. But mainly he is a banker.

Precisely, Mr. Tapp at 65 is the recently retired chairman of the board of the world's biggest bank, Bank of America National Trust and Savings Association. However, he remains a director of the bank. He personifies today's—and tomorrow's—successful executive whose knowledge, interests and mobility must range broadly.

A prospering businessman can't afford to look only at trends in his industry, or a banker think only in interest rates. As Mr. Tapp shows in this interview, the experience he has gained during his years in business calls clearly for ever wider and better-prepared thinking about coming change.

Mr. Tapp is tall and heavy set. He seems the essence of calm even in a profession not noted for men of mercurial temper. His comfortably furnished office in Los Angeles gathers in the visitor with an air of quiet, a desk-top miniature television set notwithstanding. His framed pictures include one of him talking with President Johnson.

But this calm is deceiving. Mr. Tapp is almost constantly in motion. He is president of the California State Board of Agriculture, a member of the Board of Regents of the University of California, vice chairman of the Board of Trustees of Occidental College in Los Angeles and a Johnson appointee to the Public Advisory Committee on Trade Negotiations.

"The only trouble with Jess," says one associate, "is that he's too nice a guy. He'll take on almost any job someone asks him to do."

Mr. Tapp joined Bank of America as a vice



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## LESSONS OF LEADERSHIP

*continued*

president in 1939. Earlier, he had held research and administrative posts in agricultural economics for the U. S. Department of Agriculture.

In the following interview with an editor of *NATION'S BUSINESS*, Mr. Tapp discusses what he has learned and what he sees ahead.

**Mr. Tapp, if you had to live your life in business over again would you do anything differently?**

I would say, basically, no. My business life with the Bank of America for 26 years has really been a very satisfying experience.

**Do you mean to imply you haven't made any mistakes?**

No. Right after I got out of college I spent a number of years in the Department of Agriculture in research work in Washington on the economic problems of agriculture, and I got acquainted very rapidly with the fact that it is easy to make mistakes.

Then, having spent five years in the research and security analysis field, I again found it was very easy to make mistakes.

I have never been distressed by making a mistake, providing I felt I could learn a lesson from it and keep from making it again. You are bound to make mistakes if you do anything.

The only way to avoid mistakes is to do nothing.

For example, innovation has now become a key phrase—call it a philosophy if you wish—in the management and development of our industrial enterprises today. An innovator is no different from an inventor. He develops ideas or searches out techniques which he believes will work. But he can't expect every idea or every approach to be the right one any more than Thomas Edison could when he was working in his laboratory.

If he sits back in his plush office waiting for the tested machine or the absolutely correct approach to come along before he risks his company's manpower or capital, then his competitors are going to pass him by.

This waiting to be sure isn't limited to the esoteric levels of innovation either. It applies to the daily conduct of our business.

In banking you extend a lot of credits; some of them are bound to turn out unfortunately, but if you

don't extend credit you won't be in the banking business.

**In that vein, sir, can you recall the first major loan in which you participated and if you had to wrestle with the decision? Did you worry about it?**

The first major loan in which I participated, as I recall, involved the members of a major California farming industry, the Reconstruction Finance Corporation and two other banks with our bank as manager of the loan. An agency of the state was also involved. It was before World War II.

It probably illustrates the kind of loan which a bank should usually avoid. Its underlying purpose was market stabilization.

The loan worked out beautifully in due time because of basic changes in the supply and demand situation when World War II came along. But I was much concerned about this loan at times because of the number of people involved, some of whom were leaning heavily on my judgment for important decisions.

However, I do not recall really worrying.

**During those years, you worked under Mr. A. P. Giannini, who then headed the Bank of America. [Mr. Giannini died in 1949.] What kind of a man was he to work for?**

Mr. A. P. was one of the kindest men I ever knew. He was very colorful, a giant of a man. He expected a great deal from his people. Nevertheless, he was considerate of them at all times. This plus his ability to call everyone in our organization by his first name eased the pressure of his demands.

He could be a little gruff, especially when he wanted to get things done. And he expected to get things done.

**What was it he wanted to get done?**

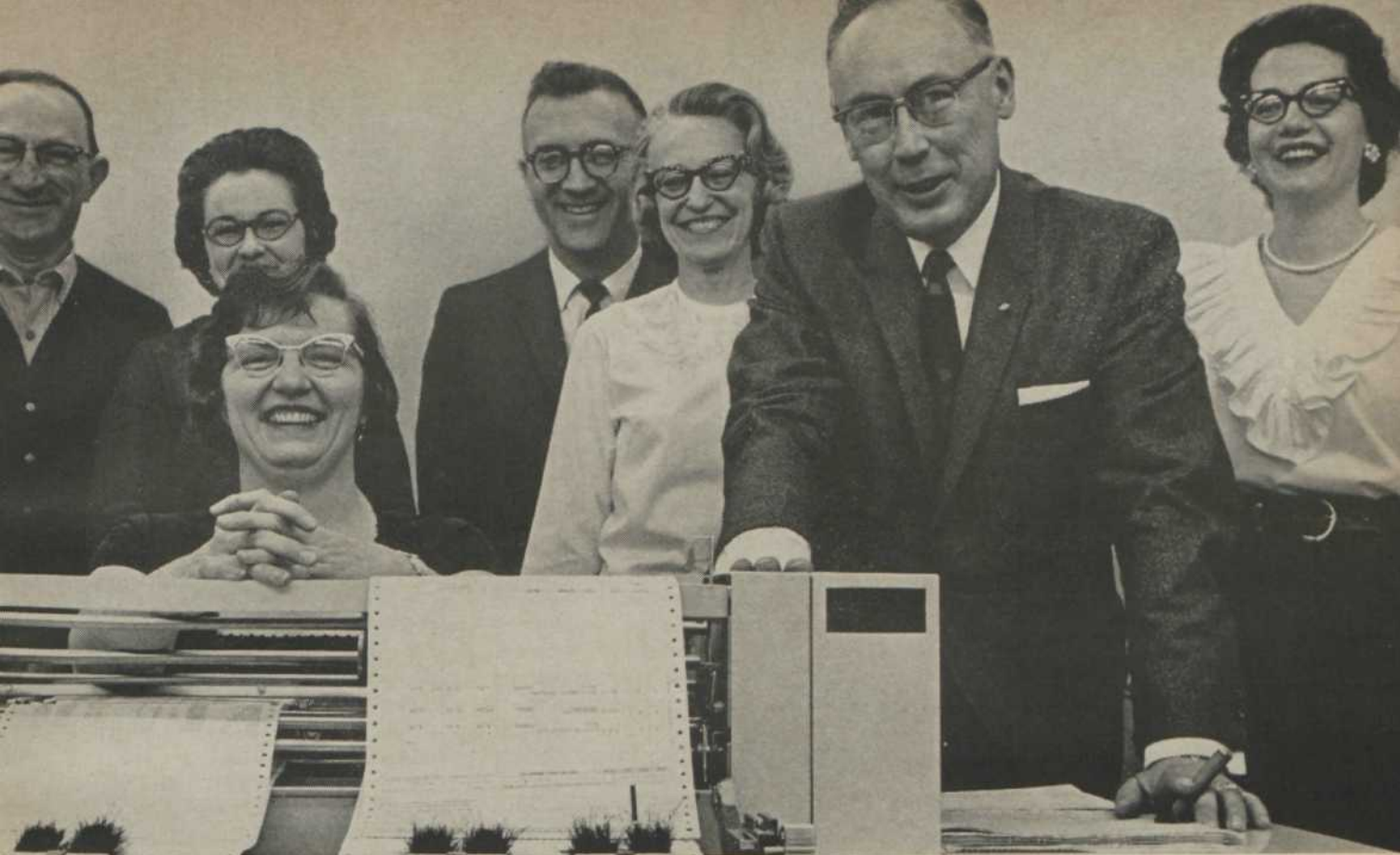
He wasn't thinking of day-to-day processes. He was always looking to the future, mapping out strategy and plans for five, 10, 15 years ahead.

I remember during World War II California experienced a tremendous influx of population to work in the war industries. Many thought we were being swamped with people.

There were those who pontificated that the end of the war would automatically mean an exodus of those people, leaving our economy in a shambles.

Not A.P. Giannini. He knew that these people would not only stay





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## LESSONS OF LEADERSHIP

*continued*

but that they would be drawing in their cousins, uncles, aunts and friends and California would have the manpower and the markets to move ahead dramatically.

On the basis of this conviction, A.P. was laying plans for expansion of the bank and moving into international banking long before General MacArthur returned to the Philippines.

### From your vantage point, what are the big changes coming in business?

I think we are going to continue to make great technological and scientific progress. This means business leaders will need a very broad-gauged approach to their business problems. At the same time each will need a high level of technical competence in order to appreciate the trend of things that are happening in his particular industry.

To cite an example: I can envision the head of a great chemical organization being primarily an executive, maybe with training in the law or the arts and sciences, broadly, and not necessarily a chemical engineer.

I think our relationships are going to become more complex, and the changes will be more rapid than we have had and require a great deal of flexibility on the part of business management to keep up to date and keep ahead of the process.

### How do you avoid letting problems build up to a crisis?

The main point is to have sufficient advance planning to keep things lined up so you can stay on top of them. Then be prepared to make adjustments as you go along rather than building up to a problem requiring major adjustment.

Of course, in a bank such as ours there is a lot of teamwork. In fact, you have different kinds of teams looking at coming problems.

For example, we started right after the war to find ways of mechanizing our bookkeeping operations. We were told—at least some of us were told—that our ideas were not very practical.

But we employed a research institution and put some of our own people on it, and they came up with a model which was, in later development, to become the key to our electronic bookkeeping, which now handles the bookkeeping on the

checking accounts, savings accounts, installment credit loans, real estate loans and so on.

It is quite vital to plan ahead and think in terms of what your requirements are going to be, not just next year but three or four or five years from now; in terms of personnel, even beyond that.

### In these changing times, how does a man in management keep up with the parade? Do you have any special tricks that enable you to keep ahead?

I have no open sesame.

I am an avid reader.

I read rapidly. I haven't taken any courses in speed reading but when I was in high school I studied shorthand. Learning this taught me to move along the printed page quickly.

Of course with all the reading before us today you must learn to scan and choose.

I like to read all I can. When I was at Harvard, I took a couple of courses in international economics from Dr. Frank J. Taussig. These courses and Dr. Taussig sparked my interest.

This particular field not only has a professional attraction to me but a great deal of personal attraction.

This problem of finding time to read is a serious one, I know. I do most of my reading on week ends. Some men read when they travel. I spend that time briefing myself on the work I have to do when I arrive.

### Do you look for expanding business in the years ahead? Are you an optimist? Is business going to be better or worse over the long term?

I think that the next decade will see substantial expansion in physical production and in the standard of living.

There are several areas where I believe this progress will be the most obvious and significant.

The chemical and communications industries are two.

As a matter of fact, banking itself has probably doubled its total services since World War II and we have barely scratched the surface of what we can do.

### In banking, what specific changes do you foresee? Do you see a different role for banks?

I think we will see less use of—what shall I say?—cash, and more use of clearing functions of one kind or another through the banking system.

You have the beginnings of that in the credit card business, whether





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## LESSONS OF LEADERSHIP

*continued*

it is the oil companies or the national companies or our own BankAmericard.

There was a story reported the other day about a young lady living out here for a month on credit cards, and traveling around without any cash. Well, that illustrates the trend.

Business will be done more and more with the banks minimizing the paper work for both the customer and the merchant, in a series of offsetting transactions that will cut down on the amount of paper work involved in handling retail trade and wholesale trade.

Undoubtedly, banks will become more knowledgeable in financing the more sophisticated industries needing financing.

That will enable the small company desiring to move into a highly specialized business to get credit that perhaps it couldn't get today because it couldn't find a banker who would understand the potentials of that kind of thing.

We find we are having to use more and more specialists in the credit field—men who really understand a particular type of business and know how to extend credit to that highly specialized type of business effectively and safely.

We see more development in that direction. Our problems are becoming more complex but more interesting.

**With problems becoming more complex, how do you judge a good business risk?**

First, you have to judge the man or men seeking credit funds.

I look first to what I call the stance of the company and the men running it. Is it progressive? Is there a depth of management and is there any planning for the development of management personnel? What are their employee relationships? Does the company promote from within or "raid"? Is there planning for the future—a definite program for research and development commensurate with the competitive level of the business?

Then, too, I am concerned with what role a business plays in the community it serves or where its major offices are. Is it a good citizen in the sense that it encourages its officers or senior employees to participate in service clubs, community chests, community development and other activities directed

toward the total benefit of the total citizenry?

Profits are important, of course, but in the long run a company that is concerned only with squeezing every last profit dollar out of its serving area and ignores the responsibilities of good business citizenship can find itself on a very rocky road.

None of these by themselves are sole determining factors in assessing credit risks. But in total they are significant.

There are such great varieties of credit risks that a short list of criteria would hardly suffice. One criterion is that in the making of normal commercial loans, for example, the capability of management would be considered along with the basic financial strength of the borrower.

Long-term loans, whether secured or unsecured, require more attention to the longer-term economic factors affecting the industry or company. Outmoded facilities are not good security for credit in our fast-changing industries.

**How do you gauge a person's integrity?**

We bankers get an insight and understanding of a borrower's integrity in many ways.

Is the man across the desk from us telling the whole story? Does he acknowledge the risks he is facing or does he wait until we point them out and then tell us of his countermeasures? What is his reputation as a businessman? How does he present his proposal? Is it orderly, well thought out? Or is he in fact coming to us desperately hoping we will "save him"?

I remember a middle-aged man who came to see me and his proposal was pretty thin, judged by normal standards. But among his personal commitments which affected his business financial statement was a planned expenditure to continue his two children's education.

I believed that this man not only had integrity but a high sense of responsibility. Subsequent events proved I was right.

**I suppose you have been aware of a number of misconceptions about banks over the years. What are some of the biggest misconceptions?**

Many people have the idea that bankers are not interested in their customers' problems—that bankers somehow prefer to say no to a loan applicant.

Actually, almost all bankers know

that the growth and prosperity of their banks depend in large measure upon the growth and prosperity of the communities which they serve—and that saying yes to a large portion of their applicants for credit is warranted.

Many people regard bankers as having a bias for high interest rates on loans. Because of the interest paid on savings deposits, most banks are both borrowers and lenders. At times bankers have to speak out for more credit restraint in order to avoid the accumulation of inflationary forces which will damage the economy.

**Mr. Tapp, you were—and still are—very active in government and community affairs as well as in business. I take it that you believe a businessman has a unique role in relationships with government.**

Yes. I think businessmen need to know more about what goes on in government, and why. The increasing role of education itself at the state and local level is of very great significance to business, because business progress in the future is going to be dependent, in a considerable measure, on how good a job we do in the educational field, training people who can deal with the complexities of research results flowing out all the time.

**On the national level, what role can the businessman perform?**

Through business organizations, such as the Chamber of Commerce of the United States, and the National Industrial Conference Board, top businessmen of the country take a considerable interest in government now, and it is very vital.

I think there has been a tremendous improvement in business understanding of government and government understanding of business in the last decade.

**Do you advocate businessmen getting into politics to a greater degree?**

I think businessmen ought to take a wholesome interest in politics, as citizens. I think that if they approach politics from a too narrow point of view, they may find themselves injuring the cause of business rather than helping it.

You have got to approach it from a pretty broad point of view of the public welfare—not just what is good for my particular business; otherwise it can be harmful.

**How do you find time for these governmental activities?**

I think a certain participation in





## Now they see it



## Now they don't

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## LESSONS OF LEADERSHIP

*continued*

the community, both at the local level and state and national levels, is required of people in business. So at least part of the time, in one sense, you take away from your duties at the institution.

On the other hand, not being a golfer and not having any great interest in prolonged vacations, I have devoted a little bit more time to some of these activities than others have.

You can find time by getting other things done promptly and, for example, by getting meetings to start and end on time. Otherwise you can't do it.

When I became president of the San Francisco Chamber of Commerce I told them the meetings would start at 12 o'clock, proceed according to the agenda, and quit at 1:45.

You know how many people come late, and drag out meetings, and so forth.

That kind of dictatorial attitude toward committee activities can be helpful if you can get away with it.

In summary, Mr. Tapp, what do you consider to have been the most important change that has taken place in this country during your working life of the last 45 years?

I think the outstanding change is the tremendous technological progress, both in business and in agriculture.

On the farm I grew up on in Kentucky, for instance, I spent many a long day hoeing weeds in the tobacco fields.

At the end of the day, dead tired and soaked with perspiration, I could look back on maybe a few short rows of tobacco cleaned of weeds.

Today chemicals can kill out all the weeds and pests by sections of land instead of rows of plants. And the farmer drives a piece of equipment with an air conditioned cab if he wants it to do his cultivation or plowing.

The technological progress has been literally fantastic, compared to where we were at the end of World War I.

END

**REPRINTS** of "Lessons of Leadership: Staying on Top of Change" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Please enclose remittance.





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Now, in the coming articles, you share in the useful ideas offered.

**Starting next month in Nation's Business**



# Where business will grow fastest

Here's 1970 forecast of manufacturing in industries ranging from food to machinery

IN 1970 America's manufacturing industries will contribute \$265 billion to the nation's economy. That's 39 per cent more than in 1963, the latest year for which complete figures are in, an analysis by NATION'S BUSINESS shows.

Instrument making, riding on astounding developments in laser light beams, undoubtedly will continue as the fastest growing of the 20 major manufacturing industries. But all 20 seem destined to continue expanding.

Instruments and related products, by 1970, will climb 53 per cent over the \$4.7 billion they added to economic growth in 1963.

Following closely behind will be: electrical machinery, up 50 per cent; chemicals and allied products, 45.7; rubber and plastic products, 45.6; lumber and wood products, 40.5; stone, clay and glass products, 40.3; primary metal industries, 40.1, and nonelectrical machinery, 39.6.

Smaller gains are projected for the other main manufacturing industries in the country.

The NATION'S BUSINESS projections were made on compilations of each industry's "value added." This is considered the best single measure in dollars of contribution to the gross national product. GNP is the total value of goods and services produced. It's the most-often used barometer of economic growth.

Value-added compilations have been made by the

## VALUE ADDED BY MANUFACTURE

Billions of dollars

Transportation equipment

Food and kindred products

Chemicals and products

Nonelectrical machinery

Electrical machinery

Primary metal industries

Fabricated metal products

Printing and publishing

Apparel and related products

Paper and products

Stone, clay and glass products

Textile mill products

Miscellaneous manufactures

Instruments and related products

Rubber and plastic products

Lumber and wood products

Petroleum and coal products

Furniture and fixtures

Leather and leather products

Tobacco manufactures

**TOTAL, all industry groups**



1958	1963	1970 (est.)
\$15.3	\$22.6	\$31.5
17.7	21.4	28.7
12.3	17.5	25.5
12.4	16.9	23.6
10.4	16.3	24.5
11.7	15.2	21.3
9.4	11.9	16.1
7.9	10.5	14.6
6.0	7.8	10.6
5.7	7.3	10.2
5.5	7.2	10.1
4.9	6.2	7.8
4.8	5.3	6.4
2.9	4.7	7.2
3.3	4.6	6.7
3.2	4.2	5.9
2.5	3.6	5.0
2.4	3.1	4.3
1.9	2.1	2.7
1.4	1.7	2.3
\$141.5	\$190.0	\$265.0

U. S. Census Bureau four times over the past 17 years.

The latest complete figures are those for 1963. Value added per employee, a good indicator of the productivity of workers, rose in all 20 categories. It averaged \$9,173 in 1958 and \$11,619 in 1963 as industries improved techniques and increased automation.

Practically all the increase represents larger production. Price levels for manufactured goods were almost identical in 1958 and 1963.

Here is a breakdown for each major industry, with predictions for 1970 and additional facts about the accompanying chart:

*Transportation equipment*, including military planes and ships, is expected to hit \$31.5 billion in value added in 1970. It replaced food in 1963 as the top contributor to the economy among manufacturing industries.

Transportation's 43 per cent rise in the value added per employee from 1958 to 1963 was second only to petroleum's rise. Transportation's value added per employee is now \$13,980, fourth highest among the 20 industries.

Value added in motor vehicles increased 89 per cent between 1958 and 1963, thanks largely to recovery from the low automobile production of 1958. Railroad equipment, bolstered by big increases in railroad and street cars, gained 64 per cent; truck and bus bodies were up 55 per cent; motorcycles, bicycles and parts up 54 per cent; aircraft and parts up 13 per cent, and ship and boat building up 11 per cent.

*Food and kindred products* industries will boost their value added 34 per cent by 1970. These industries had a four per cent drop in employment from 1958 to 1963. But their work force of 1,642,000 remained the largest of the manufacturing groups. The value added per employee stood at \$13,011, sixth highest among the 20.

Value added figures among major sectors show sugar refining up 55 per cent; beverages, led by bottled and canned soft drinks, up 22 per cent, and dairy products, headed by natural and process cheese, up 16 per cent.

Much of the dairy increase is due to improvements in techniques such as a shift to larger containers which cut down on delivery jobs.

Meat and bakery products gained 13 per cent.

*Chemicals and allied products* will reach \$25.5 billion in value added in 1970.

A front-runner among highly automated industries, chemicals had the highest value added per employee for 1963. It averaged \$23,428. The industry's 33 per cent rise from 1958 to 1963 was the third highest.

During the five-year period chemicals' value added increased 42 per cent, enough to push the industry above nonelectrical machinery in total contributions to the nation's economy.

The adaptation to more general uses of materials now used chiefly in rocket propulsion and nuclear in-



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## BUSINESS WILL GROW

*continued*

dustries is expected to give an added boost to this industry.

During the 1958-63 period, value added increased 57 per cent for the fibers, plastics and rubber sector of the industry, 48 per cent for agricultural chemicals, 47 per cent for cleaning and toilet goods, 42 per cent for basic chemicals, 34 per cent for drugs and 31 per cent for paints and allied products.

Demand for plastics, which are being used in more and more different ways, has been tremendous. The expected rise in the use of fertilizers, pesticides and other agricultural chemicals is due in part to increased demands for food by an exploding population and in part to the government policy of restricting acreage. Farmers are trying to get more out of what land they can use.

Nonelectrical machinery will contribute \$23.6 billion to the 1970 economy. It rose in value added by 36 per cent from 1958 to 1963.

Employment in that period increased 8.5 per cent, reaching 1,463,000, the fourth highest among manufacturers.

Value added for service-industry machines, led by fast rises in automatic vending and refrigeration machinery, increased 49 per cent during the five-year period. Metal-working machinery, led by machine tool accessories and metal-cutting machine tools, increased 47 per cent in value added.

Office machines rose 46 per cent. Special industry machinery, including paper and woodworking machinery, rose 42 per cent, as did general industrial machinery, headed by sharp increases in blowers and fans, ball and roller bearings and industrial patterns.

Construction machinery increased 30 per cent, farm machinery and equipment, 26 per cent and engines and turbines, only one per cent.

Electrical machinery will hit \$24.5 billion in value added in 1970, overtaking nonelectrical machinery. It overtook primary metals during the 1958-63 period.

Electrical machinery showed the greatest rise of all manufacturing industries in employment, 31.2 per cent, reaching 1,472,000, which is third highest among manufacturers.

Whether defense is cut or not, electrical machinery is expected to continue growing as an over-all industry. This is due to increased automation using electronic trans-

mission units and the fact that more homes have more wall switches and electrical outlets and more electrical appliances than ever before.

Between 1958 and 1963 value added by the communication equipment industry, sparked especially by radio and TV communications equipment, rocketed 124 per cent. Electronic components, led by semiconductors and transmitting electron tubes, rose 71 per cent.

Radio and TV receiving equipment rose 53 per cent; lighting and wiring devices, 39 per cent; household appliances, 32 per cent, and transformers, switchgear and other electrical distribution products, 22 per cent.

Primary metals industries will contribute \$21.3 billion to the 1970 economy. They had the fifth highest value added per employee in 1963—\$13,627—with a 28 per cent rise, the seventh fastest growing industry in that category.

Value added increased 51 per cent for iron and steel foundries between 1958 and 1963. Nonferrous foundries increased 41 per cent, primary nonferrous metal, 40 per cent; steel rolling and finishing, 26 per cent, and nonferrous rolling and drawing, 23 per cent.

An indication of the increasing efficiency of the U. S. iron and steel industry is the fact that in 1963 it took 768 pounds less material in a blast furnace to make a ton of iron than it did in 1957.

Fabricated metal products will climb by 35 per cent over 1963 by 1970.

The industry had its biggest boost in the 1958-63 period from plating, polishing, coating and other metal services, which increased 53 per cent.

Cutlery, hand tools and hardware rose 41 per cent; screw machine products, 40 per cent; metal stampings, 30 per cent; metal cans, 21 per cent; plumbing and heating equipment, also 21 per cent; fabricated wire products, 20 per cent, and structural metal products, 10 per cent.

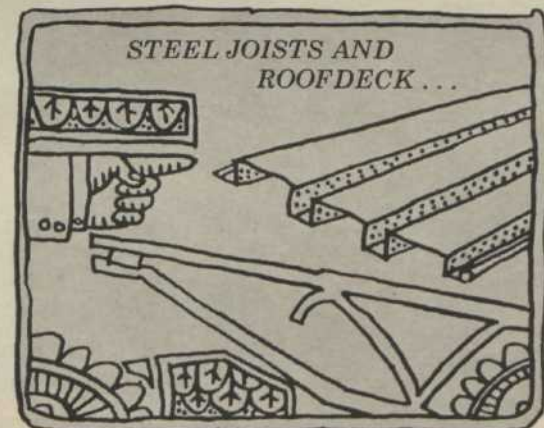
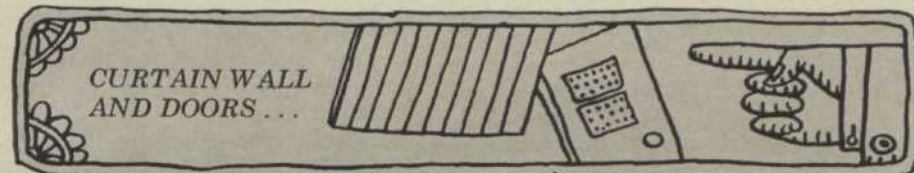
Printing and publishing will contribute an estimated \$14.6 billion in 1970. That's 39 per cent more than its 1963 value added, which was eighth highest among manufacturing industries.

During the five-year period value added increased 43 per cent for periodicals and 27 per cent for newspapers.

Apparel and related products will rise 36 per cent in 1970 over 1963.

The industry showed the lowest





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## BUSINESS WILL GROW

*continued*

value added per employee in 1963, \$5,994.

Fabricated textiles, led by canvas products and house furnishings, rose 47 per cent; men's and boy's suits and coats, 28 per cent; women's and children's underwear, 21 per cent, and fur goods, 14 per cent.

*The paper and paper products* industry will boost its value added to \$10.2 billion in 1970, 39 per cent over 1963.

Value added for paper and paperboard products, sparked by envelopes and die cut paper and board, rose 37 per cent; paperboard containers and boxes, 25 per cent, and paper mills, 22 per cent.

*Stone, clay and glass products* will raise their value added to \$10.1 billion by 1970. They had the ninth highest value added per employee, \$12,347.

Concrete and plaster products, spearheaded by lime and gypsum products, rose 44 per cent; flat glass, 40 per cent; nonmetallic mineral products, led by mineral wool and asbestos products, 38 per cent; glass containers, 19 per cent; structural clay products, 17 per cent, and hydraulic cement, eight per cent.

During the slow growth years of 1957 and 1962, new building jobs stagnated, but the industry is expected to soar as marriages rise, more families move to the suburbs and public works increase.

*Textile mill products* will increase their value added 26 per cent by 1970 over 1963.

Textiles employed 865,000 persons in 1963, a drop of four per cent from 1958. The value added per employee rose 32 per cent, the fourth fastest growth in that category.

Value added for floor covering mills increased 56 per cent, boosted particularly by a 129 per cent rise in tufted carpets and rugs. Yarn and thread mills rose 31 per cent; miscellaneous textile goods, particularly nonrubberized coated fabric and tire cord and fabric, up 28 per cent; finishing cotton and synthetic fabrics, also 28 per cent; knitting mills, 23 per cent, and cotton weaving mills, 18 per cent.

*Miscellaneous industries* will contribute \$6.4 billion to the 1970 economy, a 21 per cent rise over 1963.

Office supplies, topped by carbon paper and inked ribbons and marking devices, rose 49 per cent; musi-

cal instruments and parts, 37 per cent; toys and sporting goods, mainly dolls, 36 per cent, and jewelry and silverware, 30 per cent. Ordnance and accessories fell 16 per cent.

*Instruments and related products* will soar to \$7.2 billion in value added in 1970.

The industry had the highest percentage rise in value added of all manufacturers in the 1958 to 1963 period, too, with 62 per cent.

The total employed by the industry rose 23.3 per cent, second only to the rise in electrical machinery. Total employees in 1963 were 367,000.

Instruments' 30 per cent rise in value added per employee was the sixth highest among manufacturers. The value added per employee stood at \$12,755, seventh highest.

From 1958 to 1963 instruments

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For columnist Art Buchwald's pungent comments on Viet Nam, LBJ, taxes, the U. S. balance of payments and other current issues, turn back to **page 38**.

---

overtook rubber and lumber in total contribution.

The startling increase in value added by this industry is largely due to increased research by some 500 laboratories around the country into the laser, an intense beam of light which promises several dozen spectacular applications in communications, the military and medicine.

Conservative estimates are that the laser market will climb from \$100 million in 1964 to more than \$1 billion by 1970.

Value added for optical instruments and lenses increased 145 per cent between 1958 and 1963. Scientific instruments rose 76 per cent; watches and clocks, 69 per cent; photographic equipment, 64 per cent; mechanical measuring devices, 53 per cent, and medical instruments and supplies, 45 per cent.

*Rubber and plastic products* will add \$6.7 billion to the 1970 economy. This was the third-fastest growing industry in the number of employees from 1958 to 1963, rising 20 per cent to 417,000.

Reclaimed rubber rose 33 per cent; rubber footwear, 25 per cent,

and tires and inner tubes, 12 per cent.

*Lumber and wood products* will raise their value added to \$5.9 billion in 1970.

During the 1958-63 period they had the eighth-highest increase in value added per employee at 28 per cent.

Value added increased 38 per cent for veneer and plywood plants, 32 per cent for millwork plants, and 30 per cent for wood preserving. Wooden containers dropped two per cent.

*Petroleum and coal products* in 1970 will jump 39 per cent over 1963.

This industry had the highest increase in value added per employee at 66 per cent. The value added per employee was \$23,320, second only to chemicals and more than twice the average for all industry groups. Between 1958 and 1963, mainly because of automation, employment fell 14.5 per cent to 153,000. This was the sharpest decrease of all manufacturing industries.

*Furniture and fixtures* will contribute \$4.3 billion in 1970, a 39 per cent leap over 1963.

The industry's biggest increase in the 1958-63 period was in wood office furniture.

Metal office furniture increased 33 per cent; household furniture, 32 per cent, and public building furniture, 27 per cent.

*Leather and leather products* will increase 29 per cent by 1970.

This industry employed 337,000 in 1963, down 3.4 per cent from 1958. Value added per employee was \$6,288, the second lowest.

In the five-year period, value added increased 24 per cent for luggage, 16 per cent for purses and small leather goods, 13 per cent for shoes and two per cent for leather tanning and finishing.

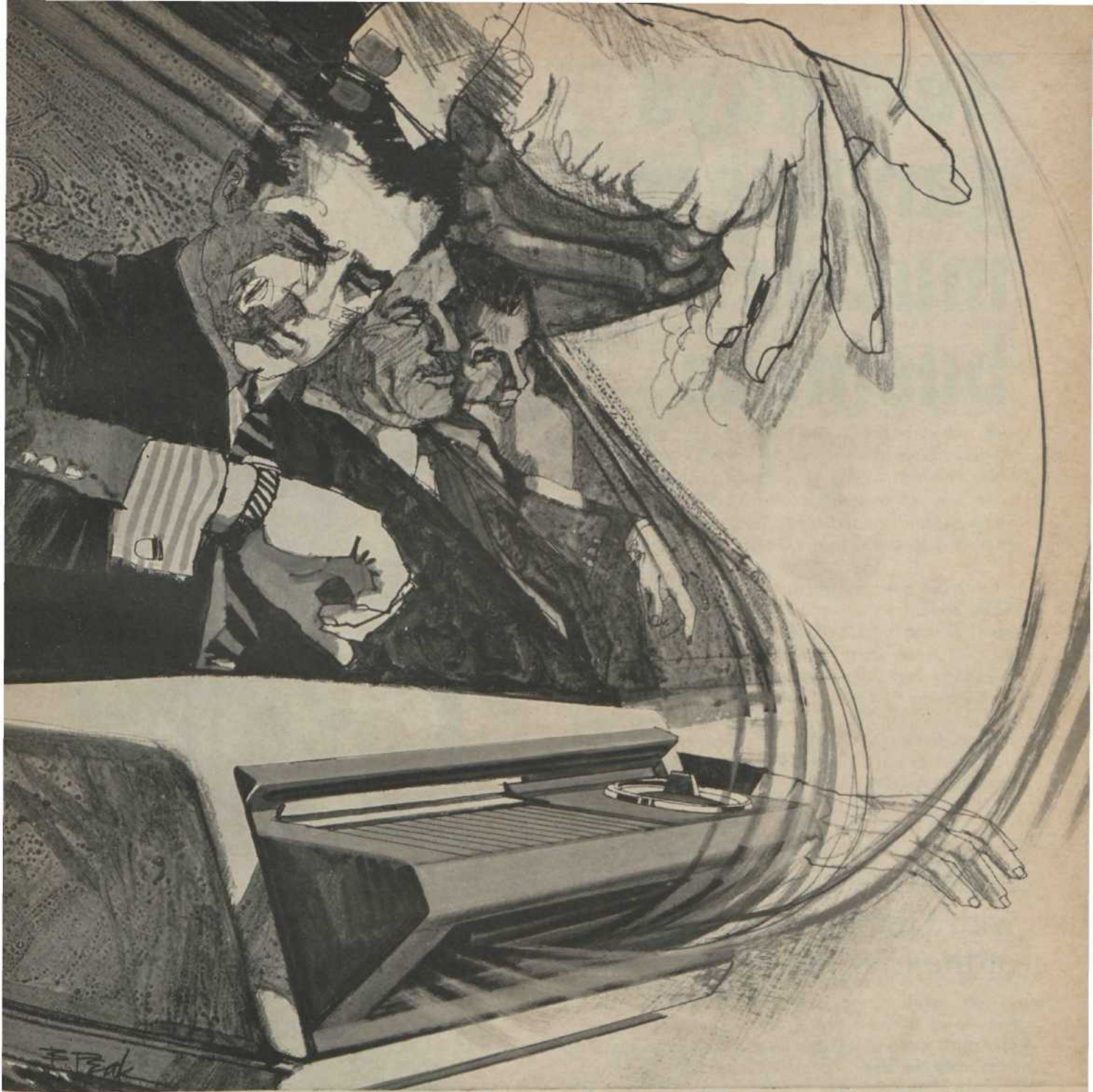
*Tobacco manufacturers* will add \$2.3 billion to the 1970 economy, a 35 per cent gain over 1963.

Tobacco employment fell 9.5 per cent from 1958 to 1963, the second sharpest drop in the manufacturing industries. It employed the least number of workers 76,000.

But value added rose 21 per cent, so the per-employee figure was \$22,079, the third highest. Tobacco's 31 per cent rise in that department was fifth highest for all industries.

Value added for cigarette production increased 21 per cent between 1958 and 1963. Chewing and smoking tobacco rose 20 per cent and cigars six per cent. **END**





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# New ways gangsters muscle into business

A Nation's Business interview  
with Fred M. Vinson, Jr., chief  
of the U. S. Criminal Division

HOODLUM ENCROACHMENT into legitimate business is on the rise.

Fred M. Vinson, Jr., new Assistant Attorney General in charge of the Justice Department's Criminal Division, believes that bankruptcies engineered by racketeers may alone be costing businessmen half a billion dollars yearly. This is only a small part of what's wrung out of business each year through all sorts of illegal operations.

In this interview with an editor of NATION'S BUSINESS, Mr. Vinson describes new methods by which gangsters are muscling into the business world. He tells how you can protect yourself from this growing danger and discusses in detail the Justice Department's plans in its war on crime.

Before his appointment to the Justice Department, Mr. Vinson practiced law in Washington for 15 years. He was a Phi Beta Kappa graduate of Washington

FRED WARD—BLACK STAR





and Lee University and is the son of the late Chief Justice of the United States.

Here is his important message to American businessmen.

**Mr. Vinson, is hoodlum infiltration of legitimate business increasing?**

There has been a dramatic increase of hoodlum penetration into legitimate areas of business, particularly in bankruptcy fraud, stock swindles, merchandising swindles and loan sharking.

**What do you estimate it is costing U. S. business?**

There really isn't any accurate way to measure that. I have seen estimates of \$500 million per year in the field of planned bankruptcies. Of course this may be only a very small portion of the total.

We have knowledge of between 200 and 300 hoodlum-planned bankruptcies per year, for instance, and our studies show that the average loss to the legitimate businessman is around a quarter of a million dollars. This would mean a total of about \$75 million annually in losses that we know of to legitimate businesses which are suppliers or customers.

We have also made some estimates. In the Chicago area alone we feel that hoodlums gross over \$3 million a year in planned bankruptcies. The situation is equally critical in a lot of other major urban centers: New York, Philadelphia, Detroit.

**Are these forms of hoodlum infiltration that you mentioned new?**

I think the emphasis on certain forms by hoodlum elements is relatively new.

**How do these swindles operate?**

In planned bankruptcies—which are called “scam operations”—there have been radical changes recently to speed up the operation. The older system, used extensively in our large commercial centers back in 1961 and '62, involved three steps covering three to four months.

Under this system, a corporation is formed using fronts ostensibly to run the business. These are people who don't have criminal records themselves but are closely associated with the hoodlums. A large bankroll, frequently put up temporarily by the criminal syndicate, is used to open an account as a credit basis on which credit information, usually false, can be furnished.

A large, impressive building, sometimes a warehouse, is leased. Orders are sent to manufacturers to ship directly to the warehouse, giving a false picture of a large company with a good credit potential.

Suppliers are asked to send their salesmen or catalogs. The letters make clear that the company wants to make purchases as quickly as possible and carry the veiled threat that, unless a supplier takes quick action, he'll be left out in the cold once full operations are under way.

**What happens then?**

The three-step operation begins. In the first month

a series of orders are sent to manufacturers and suppliers, and payment is made almost immediately upon receipt. It may be one large monthly order or four weekly orders, gradually growing in volume. During the second month they follow the same procedure, except that first-month suppliers are paid only half to three quarters of the bill in the second month while new suppliers are paid nearly the full amount. First-month suppliers are included among credit references given to new victims, and the two months of operation establish a high credit rating.

Now the company buys as much as the credit traffic will bear and continues until the creditors' complaints make further operation dangerous. To the first complaints, excuses are made which imply confusion in a rapidly expanding business. Frequently the swindler even requests additional merchandise.

As goods pour into the store or warehouse, they are promptly moved to undercover warehouses for later shipment or immediate sale to already determined outlets or “drops.” These drops are either controlled by the syndicate or are willing to accept merchandise at 25 to 50 per cent below cost, no questions asked.

One syndicate group—which has been convicted of mail fraud—showed a keen sense of humor. They bought and disposed of truckloads of pianos, household furniture and appliances from more than 100 wholesalers. When creditors complained of nonpayment, the group offered the excuse that criminals had stolen the merchandise.

When the company is completely milked, involuntary bankruptcy is the final step. This method was a little too slow for some of these characters, though.

**What's the new system?**

The syndicate now concentrates its efforts on the one-step or overpurchasing scheme. The racketeers buy an existing business with a Dun & Bradstreet rating of D2 or better, one with a substantial inventory and just as substantial liabilities so that they can gain control for relatively small cash payments. Additional payments are made with notes or post-dated checks. This doesn't worry them, because the operation won't last longer than 30 to 45 days.

These companies are usually bought at a time coinciding with the issuance of the Dun & Bradstreet Regional Book, which shows that the firm is operated by solid businessmen and has a high credit rating. Suppliers deal with the firm believing that the former owners are still running it.

A massive overpurchasing operation now gets under way. The purchases are of an unusually large amount for the general trade, and the type of merchandise often bears little or no relationship to the type of business carried on previously. Goods are disposed of in the same manner as the three-step system, the firm goes into bankruptcy and the syndicate's pockets jingle with more money.

**Are there any variations?**

Yes, one is the Christmas scheme. This swindle is usually started in October, and the firm—either one



## GANGSTERS

continued

newly organized or an established company recently purchased—is out of business by January. In the rush of the Christmas season suppliers lack time to check credit information properly.

Another is the "same name" scheme, where you might have a very sound old company called the Jones Supply Co., for instance, and some hoodlums form a company by the name of, say, Jones Wholesale Supplies. They rely on the credit of the old established company to make some real fast purchases, which go out the back door.

### Is there difficulty in tracing the racketeers in scam operations?

Not only tracing, but proving. The usual story is, well, that money disappeared through gambling losses or other more legitimate losses. And, of course, it isn't a crime to be an inept businessman or to owe your company a substantial amount of money. The difficulty is in proving a case and finding the concealed assets. The common threads running through scam operations are lost, incomplete or badly kept books and records.

So, even if you are able to find the hoodlums, you have the additional problem of establishing a case to take before a grand jury?

That's right.

### What sort of merchandise is involved?

The variety is almost endless. Usually—but not always—the goods are of a type easily transported and difficult to trace. Common examples include color TV sets, electric ranges, refrigerators, mattresses, rugs, jewelry, hi-fi and stereo sets, furs, clothing, luggage, electric typewriters, adding machines, meat and other food products, expensive furniture, cameras, watches, expensive pen and pencil sets and the like.

We know of brazen departures from the formula, however. There have been purchases of large electric calculators, for example, which are easily traced and must be serviced only by the supplier.

### What other criminal operations threaten the businessman today?

Loan sharking is definitely a problem. Loan sharks, of course, are the unscrupulous lenders who charge exorbitant interest rates and are usually more interested in tak-

ing over the collateral. Many loan sharks in the large urban centers have racketeer connections, and a businessman who does business with loan sharks finds himself embracing an octopus. The next obvious step is that the loan shark or his associates own a piece of the business.

### What about stock fraud?

You do have members of the hoodlum element getting interested in stock frauds in recent years. For instance, not long ago Carmine Lombardozzi was convicted of stock fraud. He was in attendance at the Appalachia meeting of racketeers that you will recall back in 1957.

Last July, 12 men, most of whom had underworld connections, were indicted in an eastern city for manipulating the stock of an oil company. These men are charged with



*"The syndicate's pockets jingle with money after the firm goes bankrupt."*

selling over a million dollars' worth of shares by means of false representation.

### How can businessmen protect themselves from becoming entangled with gangsters?

That's a very difficult question. Of course, as soon as a businessman is aware that he has fallen into a den of thieves, he would be well advised in the long run to make himself and his information available to local and federal law enforcement people. I think basically it is a problem of improved communications, however, to keep yourself from being involved. This article could help, and we have constantly tried to alert credit people and chambers of commerce about criminal patterns to look for.

Businessmen should be particularly alert to changes in both payment patterns and purchasing patterns. For instance, if a company with which you have been doing business over a period of time sud-

denly trebles its volume of purchases, it could be a real danger signal. If a company that you know to be in the furniture business suddenly starts ordering immense quantities of frozen meats—and this has happened—you should be immediately alerted no matter what the last Dun & Bradstreet rating of that company was. When a firm very steadily increases its purchases over a short period of time, you should immediately become alert.

In the furniture-frozen food case some hoodlums bought control of an old established company that had been slipping downhill over a period of time.

Another interesting example is the Murray Packing Company case. That was a case in which we got a conviction a short time ago in the New York area. It was a poultry company, where purchases of poultry steadily increased and finally, when bankruptcy occurred, the creditors lost at least \$1,300,000—a lot of plucked chickens.

### How did the gangster elements get into this company?

They "bought" control after a shylock loan pushed the former owners to the wall.

### What are the Justice Department's future plans in this area?

We have some new legislation pending in Congress that would interest businessmen. This proposal would allow us to grant immunity to witnesses in bankruptcy fraud cases.

### This would assist you in prosecution by making it possible to obtain more witnesses?

That's correct. We feel that we can use this instrument in the bankruptcy field to good effect. This is particularly true where a formerly legitimate businessman becomes enmeshed with some undesirable bedfellows.

### Immunity could be granted to the businessman in this case?

Yes, if we felt his testimony could be helpful in prosecuting and convicting those who are more basically involved.

### You are unable to grant immunity now?

There is no statute which allows us to grant immunity in the bankruptcy field.

### Are gangland figures trying increasingly to blur the line between their criminal and legitimate activities?

Yes. It makes law enforcement



in the field of organized crime much more difficult. Where you are investigating a complicated financial transaction, sometimes several years are needed to trace and follow all the contortions. It is customary for a racketeer to have an undisclosed interest in a legitimate business. Straw parties are very common.

In these very complicated multicorporate transactions, where you have a straw party and an undisclosed racketeer in the background, some extreme financial gymnastics are required in order to get the money out. The techniques are getting very sophisticated. So the techniques of the investigators must become more sophisticated.

**Can you cite any specific examples of how complex and sophisticated these illegal activities have become?**

In the field of stock frauds, the United Dye and Chemical Co. case, which involved gambling figures and swindles, is a good example. It required almost a year in court in the Southern District of New York to unravel the maze of financial operations involved in looting some substantial corporations.

There have been some very complex multicorporate transactions in the field of planned bankruptcies. Obviously the problem in a planned bankruptcy is how to dispose of the money. We have had cases with as many as five or six corporations involved in siphoning off the assets to be concealed.

**Hoodlum-dominated corporations?**

Five or six straw corporations which were hoodlum-dominated.

**What is the source of most of the money which is funneled into gangland business operations?**

The money comes from all illicit activities, but gambling is by far the most important source of revenue.

**Is there too much public apathy toward such criminal activities as the numbers racket and bookmaking, which lack the element of violence?**

Very definitely. In order for any organized crime drive to be effective, the public has to realize that the bookie or numbers runner is just a small cog in a big machine and a portion of every dime or quarter that is bet finds its way into the pockets of organized crime. As we have already discussed, organized crime figures are responsible for planned bankruptcies, for instance, which rob businessmen annually of at least half a billion dollars.

**END**



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NBS

## SENATOR'S ANSWER

continued from page 31

I have also supported a Welfare Training Center, where poor people can learn such things as how to budget, sew, cook and apply for and hold a job.

### Investigators needed

In the welfare field I have pressed for increases in the number of social workers available to the District of Columbia, and for improvements in the pay of these key people. The more good case workers, the more time each of them will have to devote to the families he counsels. Social workers should not be burdened with the time-consuming job of checking on the eligibility of relief recipients. That is a job for trained investigators. And I believe that any public welfare program, to be efficiently and economically administered, must include an adequate and trained investigative staff.

As a result of clean-up efforts in Washington, the caseload in the ADC category alone fell from 5,601 cases in September, 1961, to 3,823 cases in October of 1963, or a reduction of 1,778 cases involving about 7,000 persons.

In this same period, the General Public Assistance caseload was trimmed from 1,617 cases to 568. These reductions meant dollar savings of more than \$4 million annually—money freed for use in other places where it was needed.

If you believe as I do—that the individual bears responsibility for his actions—you resent unfair criticism from people who emotionally distort that conviction and make it seem a hard-hearted and small-minded belief.

Let us get back to some basic facts about America before it is too late for all of us. This nation was not built by people willing to let someone else do it. Nor was it built by men willing to turn their back on those who are unfortunate and in need of help. The two ideas are not mutually exclusive. We can have both greatness and compassion, but we can only attain them when we put an end to the philosophy that has taken root in this country in recent years—the notion that "society" owes us a living and that if we fall down it isn't our fault, but society's.

Just what is society? It is all of us, each individual. We make up society, and society will only be as good as each of us can be in the

light of his own talents and initiative and self-reliance.

Is society helping an individual when it makes it easier for him to loaf on relief than to hold down a job? Is society helping an individual when it says to him, "We will take the responsibility for your family off your shoulders"? Is society really helping families when it sets up welfare programs so loosely run that they seduce family members into making shiftlessness and drunkenness and irresponsibility a tacitly approved way of life from one generation to another? A way of life smiled on benignly by government?

The answers to all these questions are, in my opinion, a resounding series of "No's."

### Uncle Sam will provide

We gain nothing when we institutionalize the loss of respect for the basic dignity of work by making non-work so easy and so attractive. Some people living on welfare in the District of Columbia have an annual income from welfare payments that puts them well over the \$3,000 poverty line drawn by President Johnson's poverty fighters. Does that make sense?

We gain nothing, and the individual gains nothing, when we spread and defend the idea that "the government will take care of you."

Back in the 1930's, when I was walking three miles a day to my first job as a service station attendant in West Virginia, we did not have all the assistance programs that are accessible to people today. A lot more people were out of work then, too. But few of them, relatively speaking, went over the brink into lives of crime or slothfulness or dependence. People had respect for themselves and the integrity of work. A man with a job prized that job, no matter how humble it was.

Today it is different. We are feeling the effects of 25 or 30 years in which the idea has been promoted that society and the government owe everyone a living. And in too many welfare programs we are reaping the whirlwind of subsidized fecundity, promiscuity, and illegitimacy. America's moral sensitivities have deteriorated; we are getting soft.

There are many jobs open today for people of little or no skill. But what happens? The jobs often go begging, because a lot of people simply do not want to work. They have been taught by the insidious philosophy of dependence that they



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## SENATOR'S ANSWER

*continued*

do not need to work; someone else will take care of them.

Try to find a person to do domestic work in your home, just for example. "I will not wax floors." "I will not work after four o'clock." "I will not climb stairs." "I will not clean windows." Everything is hedged, qualified, held back. The drive to work for the joy and satisfaction of work is simply gone from many of our people. This is a national tragedy—but one that we probably deserve for letting a system develop which encourages laziness by attaching a monetary reward to it.

All Americans should be stunned by what the investigation of welfare abuses in Washington disclosed.

In some cases families have been leaning on the dole for two and three generations. In an atmosphere like that how can one expect the children to grow up as anything but indolent, lazy, irresponsible people?

I feel very strongly about the dignity of work. I have never been afraid of work; I welcome work and I find joy in it. I know from my own life that it is only by getting and holding a job that a man puts down roots and develops a sense of responsibility and civic interest. These things follow naturally. The man with a job begins to acquire a little property which he can call his own, and he cares how his tax dollar is spent and how well, or poorly, his government is run. He has a vested interest in law and order to protect his family, himself and his property—and the property of other people.

But the man who never really enters our society because we are paying him to stay out of it cannot feel a sense of responsibility or even a rudimentary interest in what goes on beyond his next relief check. What do law and order mean to him? Why should he care?

Critics claim that I am punishing children for the sins of their parents

by insisting that families with a man in the house who is able to work should not qualify for the federal program of Aid to Dependent Children.

It is easy to cast me in a bad light on this point. But the mere sending of a relief check into a home does not insure that the children of that home will get any benefit from the money.

In all of the investigations and hearings on welfare in the District no real evidence has been encountered to support the theory that unemployed men have deserted their families so that the families can qualify for welfare. But there is plain evidence that the men who desert do so usually because they are irresponsible, or because—as some cases have proved—the wife prefers to draw the relief check and to consort with a variety of men while she is on welfare.

Let me cite just one case reported by the General Accounting Office to illustrate:

A 25-year-old mother of four children, two of whom were fathered by men other than her husband, had been getting assistance payments since October, 1956. When an investigator visited her home, the young mother admitted that she was employable, said that she did not want investigators coming to her home, and voluntarily signed a statement requesting withdrawal from the aid to dependent children assistance program. After she had signed the withdrawal statement she said:

"Now I can have all the men I want in my home and you men can't do a thing about it."

The fact that the number of case openings based on absence of a parent has been declining since 1957 indicates that the charges that men are being driven to desertion are very questionable.

The businessman has a large stake in the welfare problem.

As a taxpayer of substance, naturally he should be concerned as to how his tax dollars are spent. If his community has not bothered to check out its relief rolls, he should

use his leadership influence to see that such an investigation is made.

Some welfare people—and I am not being critical here—will make paperwork estimates as to how much cheating is going on. One must be very wary of this. In Washington, it was figured, on the basis of early estimates, that we would find an ineligibility rate of perhaps three to five per cent. It proved to be many, many times higher. If the question arises in your city, do not let a paperwork guess take the place of a full field investigation.

The businessman should be concerned about the welfare program in his community for reasons other than cost, of course. If it is a bad program, if it is one geared to encouraging the loafers, he will inevitably feel the backlash. It will come in crime, delinquency, unfilled jobs for people of low skill, lack of training programs for people whose skills can be upgraded to make them qualified to hold more demanding jobs. It will show up in the attitudes of people who apply for work. If they can make a good living on welfare they are not likely to be productive workers.

The first welfare programs were designed to get people back on their feet and back to work. That aim was largely accomplished. Unfortunately, the typical welfare case today is quite unlike its counterpart of, say, 20 years ago.

Now we are down to what one welfare official in Washington has bluntly described as "the bottom of the barrel." We are dealing all too often with the hard-core shiftless, people who arrogantly choose the relief rolls over honest toil. There is only one way to shatter that kind of irresponsible thinking and it is simply to say, "You have got to go to work. If you lack training, we will train you. But we will not permit you to freeloader."

These are hard facts, and to many people they are unpleasant, even in the telling.

But I believe fervently that they are facts that need to be told and retold if we are to break the ever lengthening chain of dependency in America. We must forge a new chain, the links of which are self-help, individual responsibility, pride in work and a concern for our fellow human beings that is grounded in genuine respect for their dignity and not in programs that, while politically appealing, in fact drain away those precious qualities that make men and women most truly human.

END

## RELIEF COSTS RISE SHARPLY

Relief subsidies are soaring all over the country, a 120-city survey indicates.

The Chamber of Commerce of the United States found that spending by these cities for the federal program of Aid to Dependent Children rose 126 per cent in the seven years ending in fiscal 1964.

The new report urges businessmen to help improve public welfare programs in their own cities.



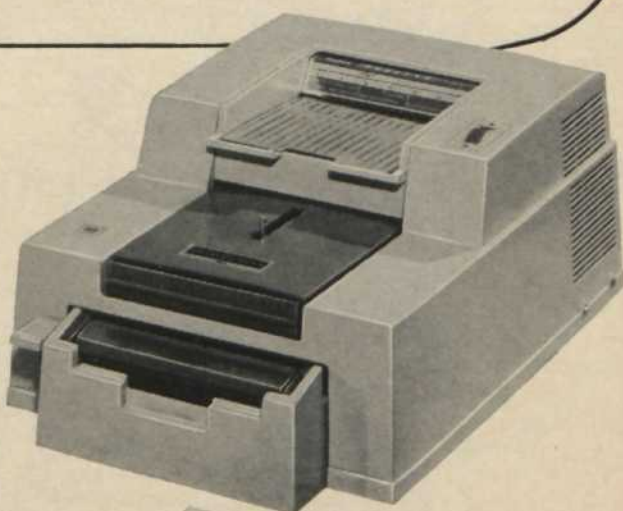
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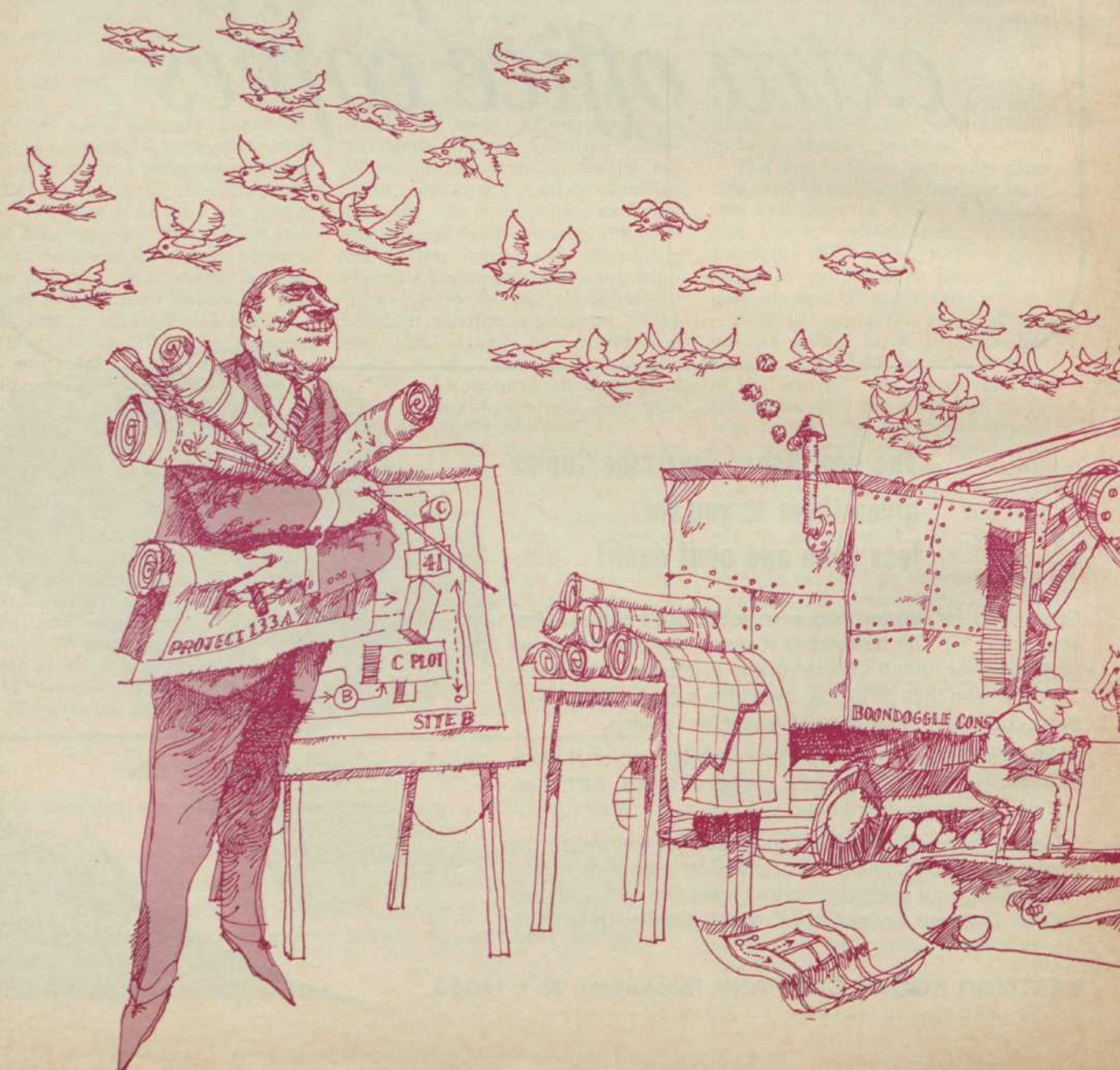


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# BILLIONS FOR BOONDOGGLES





## Gigantic public works projects that are being advanced would help some at others' expense

ECONOMY CAMPAIGNS in the federal government come and go, but the urge to boondoggle seems to go on forever.

Billions of dollars in tax funds would be dumped into major construction projects—dams, canals and the like—now being proposed for particular interests or regions at the expense of the general public.

The possibility that such projects will be built grows as the temper of the Johnson Administration and Congress leans more and more toward pouring federal funds into specific areas of the country to boost local economies and reduce unemployment. The recently approved plan to funnel more than \$1 billion into the Appalachian region, together with suggestions that similar treatment be given other parts of the country, typifies this trend.

Of course, one man's boondoggle is another man's sound public project. But some of the more grandiose current proposals for spending the taxpayers' money include these projects:

- ▶ An enormous dam in Alaska which would flood a major American wildlife sanctuary.
- ▶ A canal in Ohio to benefit one steel producing area to the detriment of others nearby.
- ▶ A plan to enable a Texas city deep inland to become a port.
- ▶ A dam which would back water up into scenic Grand Canyon.

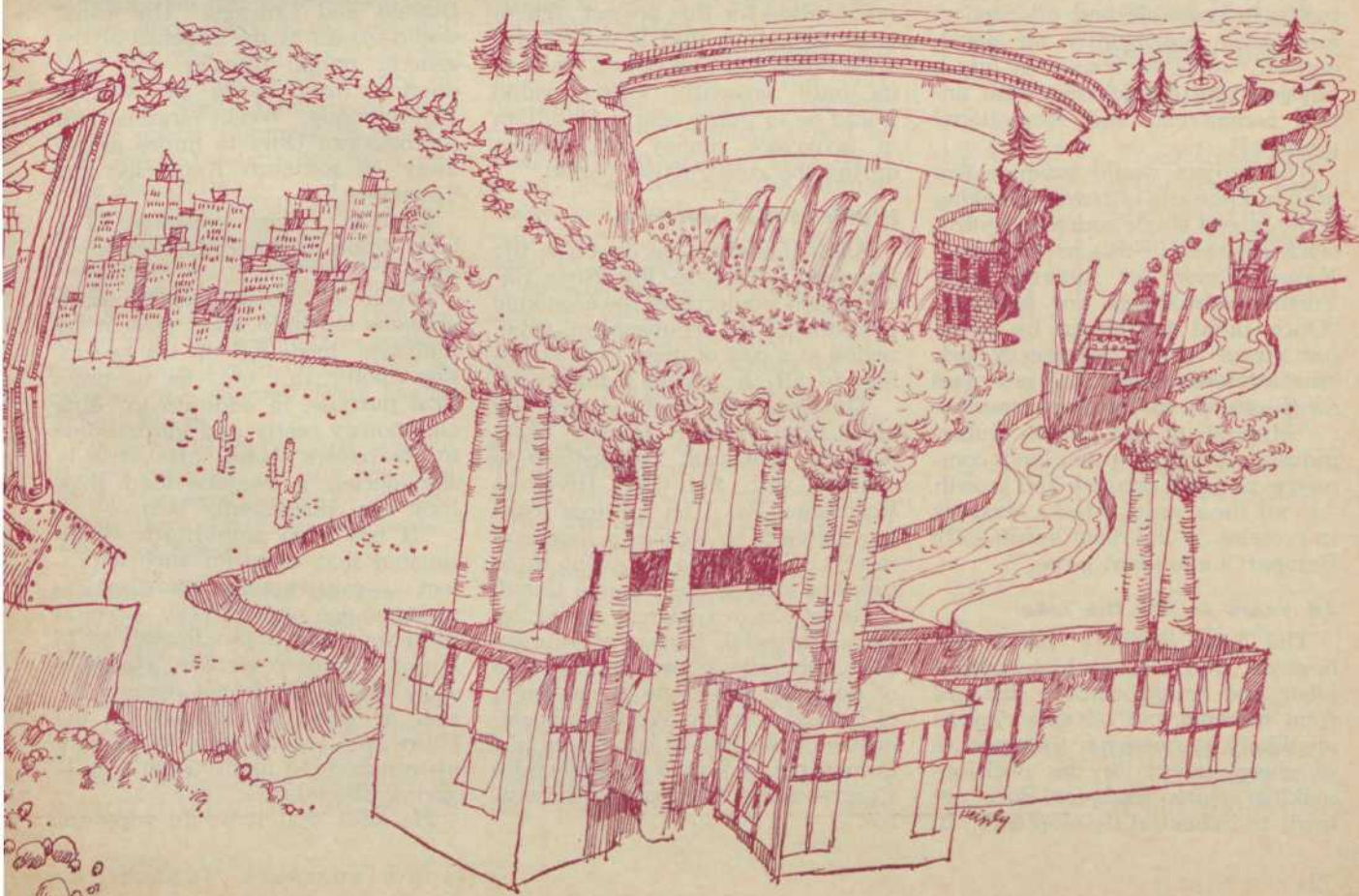
### **Biggest power project in hemisphere**

Among the most ambitious recent proposals for pork barrel spending is the Rampart Canyon Dam in Alaska, which would cost at least \$1.3 billion. It was characterized by the *New York Times* as the "world's biggest boondoggle."

"The Rampart project was announced under what could have been the spell of the aurora borealis," says Rep. John P. Saylor of Pennsylvania, ranking Republican on the House Committee on Interior and Insular Affairs.

"I was one of the most active workers in the campaign to bring statehood to Alaska. But the likes of Rampart has no place there or anywhere else where American taxpayers are involved. It would be too expensive even if it had the capacity to generate a competing display of northern lights."

Spanning the Yukon River in central Alaska, the massive proposed dam would be wider than Grand Coulee and nearly as high. It would create an arti-





## Some grandiose pork-barrel projects now planned would put thousands out of work

ficial lake larger than Lake Erie. Yukon Flats, one of North America's major breeding grounds for wildfowl, would be flooded.

"Nowhere in the history of water development in North America have the fish and wildlife losses anticipated to result from a single project been so overwhelming," according to a report made by the U. S. Fish and Wildlife Service to the Corps of Engineers. "We strongly oppose authorization of the Rampart Canyon Dam and Reservoir project."

Support for the dam in Congress has come primarily from Alaska's Sen. Ernest Gruening. A promotional organization called Yukon Power for America has been formed by Alaskans who are seeking the inflow of federal dollars the project would provide.

A pamphlet distributed by this group paints this breathless picture: "With the exception of space exploration, no single endeavor under the American flag offers the challenges and rewards of the Rampart Dam hydroelectric project... a sprawling land area, barren, virtually inaccessible and offering no foreseeable opportunity for development, would be converted into a physical and scenic asset with untold commercial and recreational promise."

The project would produce five million kilowatts of power, "making it the largest single source of hydroelectric power in this hemisphere," Yukon Power for America says. Further advantages are foreseen: "Once lured to Alaska by Rampart's mass of low-cost energy, several industries would find new uses for the state's coal and gas reserves. ... Minerals of vast extent, timber, industry, transportation, land, commerce, national security and growth—in all these areas Alaska abounds in promise. Fulfillment awaits only Rampart's abundant power."

### 18 years to fill the lake

The less visionary point out, however, that Alaska's high costs of labor and transportation, distance from markets and adverse climate are likely to outweigh the promise of cheap power in the decision-making which leads—or does not lead—to industrial development. In

addition, low power rates would depend upon full utilization of the project's potential output, and an independent study has shown that five million kilowatts is about five times as much energy as Alaska's present industry, commerce and population can put to use.

Conservationists emphasize the speculative nature of Rampart as a magnet to draw new industry to the forty-ninth state, and point out the certainty of fish and wildlife destruction which would follow its erection. Ira N. Gabrielson, president of the Wildlife Management Institute, says:

"Rampart would flood about nine million acres of the Yukon Flats that produce an average of 1.5 million waterfowl a year. Animals would be flooded out. Salmon runs above the dam would be obliterated." The proposed recreational lake would take 18 years to fill and would be frozen over five or six months of the year, and the dam would take five years to build, he notes.

"There is no known economic justification for this project. There is no assurance that it would produce prime low cost power. In fact, its only presently known value would be to pump nearly \$2 billion in taxpayers' money into Alaska during the construction period."

### Billion dollar waterway

Another impressive dream is the proposed Lake Erie-Ohio River Canal, which would boost the economic potential of the Youngstown, Ohio, region at a cost of more than \$1 billion to all the nation's taxpayers.

The waterway would stretch 120 miles from Fairport Harbor, Ohio, on Lake Erie past Youngstown to connect with the Ohio River at Rochester, Pa. Ten toll-free locks are planned, as well as a dam and reservoir. It would be about three times as long as the Panama Canal.

Its patron in Congress is veteran Rep. Michael J. Kirwan of Youngstown, who sits in two catbird seats of political power—he is chairman of both the Public Works Subcommittee of the House Appropriations Committee and of the Democratic Congressional Campaign Committee.

Strong opposition has grown up among groups which would feel its impact. They point out that it certainly would benefit the landlocked steel producing area of Youngstown but at the expense of other similarly landlocked steel producing areas nearby.

Millions of tons of commerce would be diverted to barges from the railroads and truckers, transportation executives note.

"It is a colossal project in every respect; bigger than the Panama Canal," says Curtis D. Buford, president of the Pittsburgh & Lake Erie Railroad Co. "I am convinced that the railroads with which I am associated would be virtually ruined without the coal and ore traffic that presently comprises a large part of their tonnage."

### 20,000 jobs at stake

Sen. Hugh Scott of Pennsylvania estimates that the waterway would rob workers in his state of 20,000 railroad, coal and steel jobs. "The canal would make it cheaper to manufacture steel in the Youngstown district," he says, "but only because the taxpayers would pay for the transportation."

"Even this benefit would be offset by losses of steel production and employment in the steel works of the Pittsburgh district, the upper Ohio Valley, Johnstown, eastern Pennsylvania and probably even in Buffalo and Chicago. The canal would—again at the expense of the general public—transfer coal production from mines in western Pennsylvania, West Virginia and southeastern Ohio to mines as far away as southern Kentucky and Tennessee."

Thomas Fagan, president of a local union in the Pittsburgh area, says:

"Such a project would work grievous hardship upon present established mediums of transportation—motor, rail, etc.—for no practical purpose, in addition to being enormously costly and burdensome to taxpayers, who are already shouldering a heavier load than they can conveniently bear.

"It has been authoritatively estimated that costs for such a project—construction, amortization, maintenance and interest—would ultimately total approximately \$2.75 billion. Incontrovertible statistics show that there is not enough actual or potential tonnage in the entire area, regardless of its medium of transport, to justify such a staggering expenditure."

He adds that it would wipe out



thousands more jobs than it created. "This loss of purchasing power could be economically fatal to our already depressed industrial region."

### A port in the prairie

Another inland city—Fort Worth—also would like to become a port to stimulate industrial development. As that city's congressman, Jim Wright, a member of the House Public Works Committee, explains:

"It is plainly a matter of whether Texas is to have the opportunity to develop these industries or force them to take root in some other part of the United States or even some other country."

This \$860 million proposal would create a channel along the Trinity River from the Houston ship channel to Fort Worth, a distance of 270 miles, with a spur extending to Dallas.

A system of locks and dams with four new dams and reservoirs, as well as five local flood protection projects, would be included.

"Even if we were to disregard all the other justifiable factors related to the Trinity navigation project, this area has reached a point of growth and development where it is deserving of access to the inland waterway system of our country," Rep. Wright argues.

However, some of the projected traffic may never move over the waterway because of changed conditions since study of the proposal got under way, points out Charles D. Curran, former staff director of the U. S. Study Commission-Texas, set up by Congress to investigate land and water resources in the Lone Star State.

"Even accepting the inflated traffic and transportation benefits," Mr. Curran says, "it would take 44 years before the annual benefits would equal the annual charges. About half the cost of the navigation features would be involved in carrying the channel from Dallas to Fort Worth."

"When Will Rogers first saw the Trinity from the air and was told of the proposal to make it navigable, he reportedly suggested: 'Why not pave it?'"

### Flooding the Grand Canyon

A \$750 million proposal by the U. S. Bureau of Reclamation to build dams on the Colorado River above and below that natural wonder, the Grand Canyon, has aroused the wrath of many citizens.

The prospective dams would be located at Bridge and Marble can-

yons. In a booklet describing future development of the Lower Colorado River Basin, the Bureau states:

"Construction of these new water supply and delivery works will be expensive. But basic to Reclamation's policy—contrary to many other federal programs—is payback to the U. S. Treasury for construction costs. Sale of water alone cannot do it. But sale of power, generated by that water, is the traditional congressionally indorsed means of achieving balance."

"These dams are cash registers. They will ring up sales of electric power produced by the Colorado River."

Citing the booklet, Representative Saylor has charged the Bureau and its parent agency, the Interior Department, with "embarking upon one of the most pernicious and blatantly illegal lobbying campaigns to influence pending legislation which I have ever seen any executive agency undertake in my 16 years in the Congress."

A bulletin issued by the Sierra Club, a western conservation group, states:

"Bridge Canyon Dam would back a reservoir up through Lake Mead recreation area, along and through Grand Canyon National Monument and into Grand Canyon National Park itself. Marble Gorge Dam would drown a canyon comparable in beauty to an earlier victim, Glen Canyon."

"Of the Colorado River's 280 miles within Grand Canyon, only 104 miles would remain a flowing river. Even this remnant would be inaccessible to boatmen since there is no place between the Marble Gorge and Bridge Canyon reservoirs where a boat could be brought down to the river. . . . The Bureau of Reclamation is proposing to destroy the heart of Grand Canyon."

Anthony Wayne Smith, president and general counsel of the National Parks Association, says: "Bridge Canyon Dam would generate power for sale to earn money for a basin account to be reinvested in more water works in California and elsewhere. The National Parks Association has shown by expert investigation that Bridge Canyon Dam is unnecessary to earn money for the basin account."

Possibly because of the storm of opposition, the Interior Department has shelved—at least temporarily—plans for the Bridge Canyon Dam. Taxpayers may wish that other boondoggles would be accorded the same treatment. **END**



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# WORLD BUSINESS: WHAT TO EXPECT

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## U. S. in Europe: Hostility or hope?

Europe's nationalistic fuss over U. S. investment there has clouded the whole issue and the consequences for American business.

Some basic points should be made clear.

First, and quite apart from any European antagonism, the total flow of U. S. funds to western Europe will fall this year because of measures taken by business at government's request to remedy the U. S. balance-of-payments deficit. Add to this the reverse German measures aimed at correcting their payments surplus.

Second, lower American investment in European stocks will account for most of the decline. What will happen to direct investment is more doubtful.

Many major projects, already committed, are likely to go right ahead except in France, the biggest bed of nettles.

But this easing in the outflow of American capital will have no miraculous effect on the European investment scene. For one thing, in no Common Market country does United States capital amount to much more than two per cent of total investment.

At the same time, it has to be admitted that European hostility to U. S. investment—growing now in West Germany and the Netherlands—does not spring simply from the size of the flow. It is the concentration of American capital in growth industries and the handicap this imposes on European businessmen that excites more important criticism.

French and German industrialists

are afraid they may be excluded altogether from a number of the more technically advanced sectors of industry.

## Israel: Major market missed

Only a lapse in Yankee trading shrewdness can explain America's failure to capitalize on export opportunities in Israel's fast-growing economy.

By 1970 Israel expects to double the industrial capacity she had in 1962. In the process, the real value of her industrial fixed assets will have increased by \$1 billion. Yet American equipment exporters show little sign of rising to the occasion. Many United States firms have not even bothered to appoint agents in the country.

The scope of the opportunity is

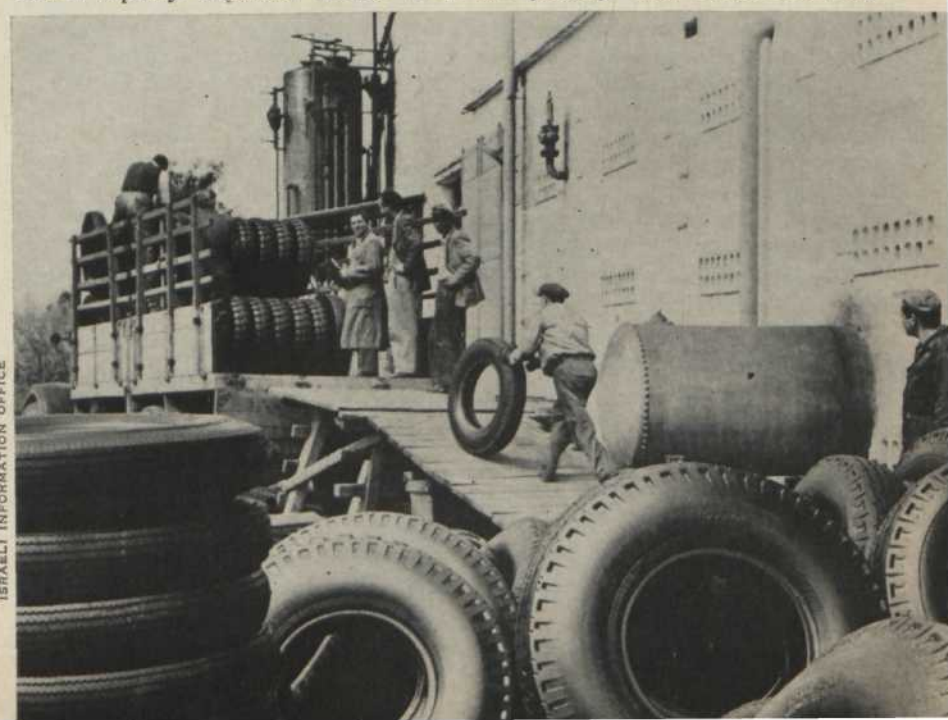
illustrated in these figures: The biggest net investment is currently planned for the chemical industry (\$178 million), the textile industry (\$110 million), mining and minerals (\$89 million), the food industry (\$89 million) and fuel refining (\$59 million). Rubber, plastics and wood are not far behind.

For four years, America's share of the Israel equipment market has lagged noticeably, despite the fact that some U. S. government loans have been tied to purchases in the United States. Most types of American equipment are not offered in Israel on terms as attractive as Swiss, Italian or West Germany machines.

Example: A big Italian concern not only guaranteed its equipment and sent its expert to install it, but left the payment received in Israeli banks as a warranty of quality and continued efficient operation.

It's not all bad news for American

*The U. S. is missing out on a multimillion dollar export market as Israel rapidly expands. Below is a tire factory near Petach-Tikvah.*



ISRAELI INFORMATION OFFICE



businesses though. American suppliers are still predominant in agricultural and heavy construction equipment. They also supplied a big share of Israel's imports of electrical and electronic equipment in 1964; but electronic equipment is some 20 per cent cheaper in Japan and this may affect prospects for the future.

Equipment for Israel's rapidly developing synthetic fiber and yarn industry is imported mainly from France, while equipment for the cotton industry is largely German and Swiss.

With the volume of American government aid to Tel Aviv expected to decrease further, the outlook for American equipment exporters is not rosy—unless they start looking after their own interests instead of relying almost solely on the hope that their government will do it for them.

## Europe moves toward centralized food trade

European food companies are moving toward U. S.-style marketing with a few wrinkles of their own.

The boom in supermarkets and other self-service stores has put a premium on brand images and promotion, and because most food processors are medium-sized firms, especially on the Continent, they've gone about it in their own ways.

One method is to take over products, brand image and all, on a licensing agreement; you have to look twice to tell a box of Nabisco crackers made in Italy by Motta from the original.

More common in Europe is the traditional agreement between manufacturers to create fewer but more powerful groups to market particular items. For instance, in 1962 Freia of Sweden and Nestlé of Switzerland agreed to set up Findus International for the promotion of frozen foods throughout Europe. The operation has been successful. In 1964 Findus captured nine per cent of the British market, the largest slice of European frozen food sales.

Another big development has been private branding. Some re-

tailers have assumed complete responsibility for quality control, promotion and merchandising of their food products. Leaders have been Marks and Spencer (England), Pontin (France), Delhaize (Belgium) and Stussgen (West Germany). European private brands can enjoy a price differential of as much as fifty per cent over a similar nationally advertised brand. This price advantage in such a basic area as food has made private branding highly successful.

So far internationally known private brands, which would increase further the centralized control over food processing, have not really developed. But there are signs that the movement is spreading across frontiers.

## Where oil fuels a boom

Riding a boom wave of oil, Libya's exports more than doubled between 1960 and 1961, quadrupled the following year, and more than quadrupled again between 1962 and 1964.

Imports, rising quite rapidly but less spectacularly, now fill the sprouting shops in Libya's growing urban centers with an array of consumer goods. Exchange reserves are mounting, incomes are rising and businessmen from all over the world flock to the North African country with high expectations. American firms are well represented and, significantly, the United States is closing down its foreign aid mission, which has become unnecessary.

By the end of 1964, oil production was running at a rate of one million barrels a day, and was still rising. By law, 70 per cent of the oil royalties (\$168 million last year) is earmarked for economic development projects. But a development plan remains sadly behind schedule.

In recent years, Libya's imports, which are virtually free from controls, have tended to come from five countries—Italy, the U. S., United Kingdom, West Germany and France. They supplied 75 per cent, by value, of imports in 1963. About 30 per cent of imports is bought by the

foreign oil companies. Such imports are likely to grow in line with growth of oil.

Another rapidly expanding figure covers consultant services, essential for carrying out the Libyan development plan.

But emphasis at the present is on construction—especially housing, schools and the extension of medical and transport services.

Imports of food products, clothing, consumer durables and other consumer goods are also expanding rapidly.

## U. S. stake in new Nasser plan

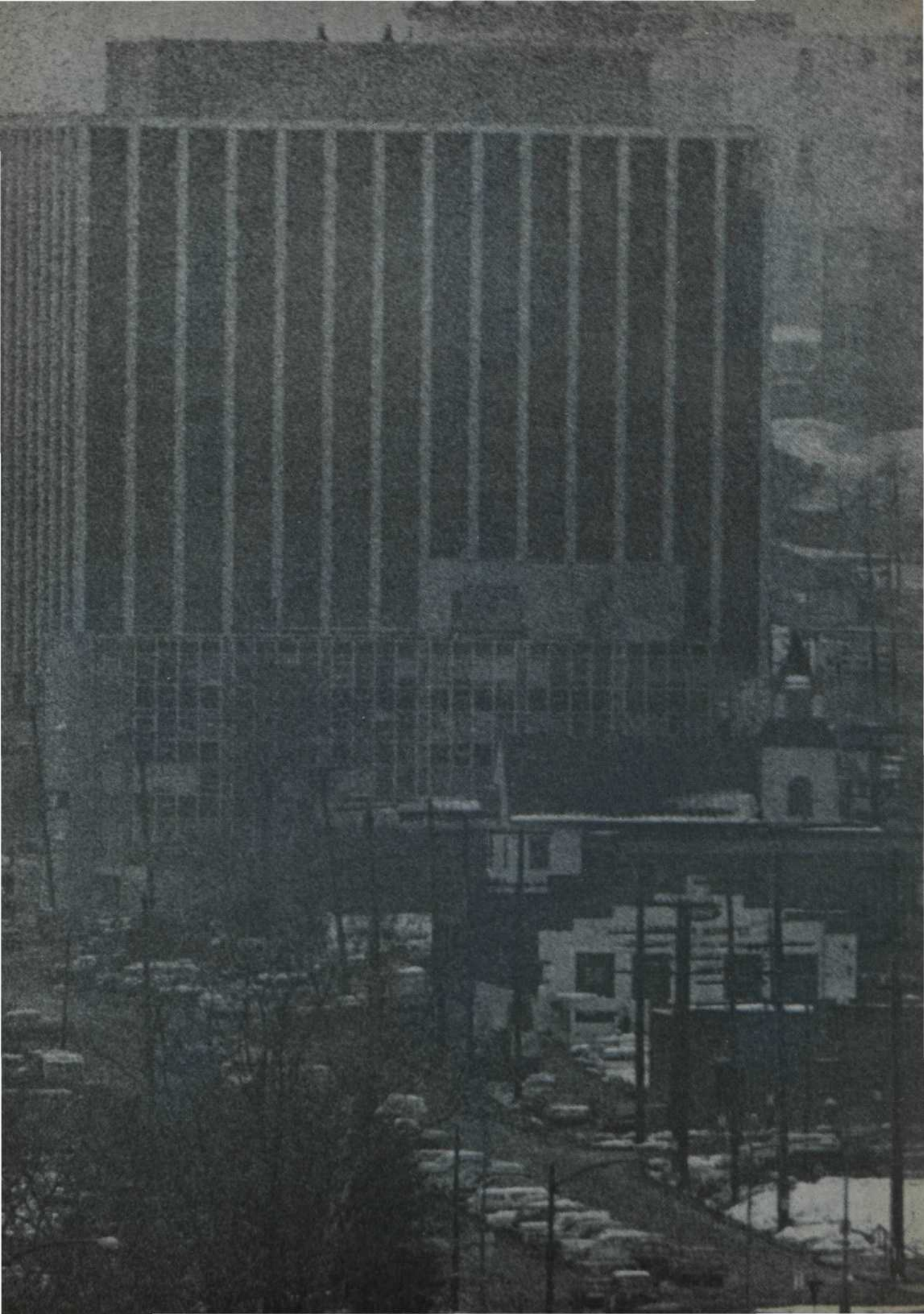
Despite repeated reports of economic difficulties, Egypt remains the largest market for foreign products in the Middle East. The country has just embarked on an ambitious development plan aimed at doubling its real national product in seven years.

Official pronouncements suggest that near-fulfillment of the first five-year plan targets, with a gross investment of just under \$4 billion, caused shortages of essential goods, shrank reserves of gold and foreign exchange and increased foreign indebtedness. More than 850 major industrial plants have been built, and industry now contributes more to national income than agriculture.

In 1963 (the last year for complete data) the United States was the largest source of Egyptian imports, followed by West Germany, the United Kingdom and the USSR. Proceeds from exports, led by raw cotton, paid for only 56 per cent of the value of imports, while half of the cotton had to be sold to communist countries. It is the other half, however, (worth about \$150 million a year) together with the growing earnings from the Suez Canal (\$179 million in 1964) and tourism (some \$50 million) that provide the free currencies needed to import much-preferred western products.

Since local industry supplies most consumer goods, imports are largely capital equipment, raw materials and fuel, and lately wheat for Egypt's 30 million inhabitants. **END**







# FOR THE FUTURE OF WHERE YOU LIVE

In its growth, expansion and improvement, your city faces problems. Such things, for example, as: urban renewal, regional planning, transportation, traffic control, commercial and industrial financing—and how to make the best use of resources.

## A Balanced Community Development Program

As a public service, and to help you and other leaders in your city define these problems clearly and to attack them effectively—through your local voluntary organizations and your local and state governments—the National Chamber conducts a Balanced Community Development Program.

Under this program, your local chamber of commerce can bring to your city a Team of Community Development Specialists to make an on-the-spot study and analysis of your city's particular problems, and to recommend practical solutions.

## Community Development Management Seminars

As a part of its Balanced Community Development Program, the National Chamber in the months ahead will set up and conduct a series of Community Development Management Seminars.

The purpose of these seminars will be to discuss proven methods to bring about sound, balanced development of the local community, and to train local leaders in the application of these methods.

## Take Time to Write For Full Information

For full information about the National Chamber's new Balanced Community Development Program, and what it can do for your city in which you work and live, take time now to write to:

CHAMBER OF COMMERCE OF THE UNITED STATES  
WASHINGTON, D.C. 20006



# For success: work 25 hours a day

All work and no play makes you a rich man

THE MORE TIME a man spends absorbed in his job, the more successful he's likely to be as a businessman. That is the consensus of a large number of top-ranking executives.

Obvious as this might seem, it has appeared to be in disrepute for quite a few years. So many management experts and professors and even some medical men have been warning against this type of concentration that it is surprising to discover how highly many companies still prize the executive who is practically married to his job.

The top men of 30 American companies were asked to comment on the kind of executive they really prefer to see helping to run things—the man who shuts work out of his head at the close of business and refreshes his mind with outside interests, or the one who is always thinking about his company, relating all his observations and experiences to the job.

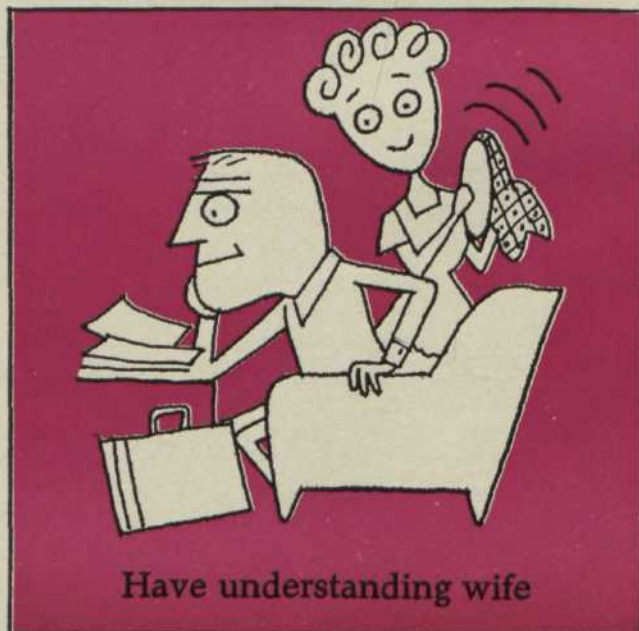
It is clear that almost every company head really prefers a wholly dedicated executive. He may be well rounded, as long as his outside interests are definitely subordinate to his work, or are related to the company in one way or another.

Few top managers are willing to admit publicly how they really feel on this subject. The reason for their reluctance is obvious. It can sound cold-blooded for a president to say that he expects this much concentration on work. Or at least it may sound antiquated—in the face of so much that has been said and written in favor of the broad-gauge, broad-minded executive—to voice a preference for men who think mainly about work problems and company profits. Most of the managers who contributed their thoughts did so with the reminder: "I'd rather

not be quoted on this. People around here could easily misunderstand."

## Neurotics are favored

Lancaster Greene, one of Wall Street's respected investment advisers, says, "The kind of stocks I like to buy, and the ones I advise my clients to buy, are in companies whose management team lives and breathes its work. I'd go even farther and say I like a company that is headed by a neurotic president and a team of neurotic executives—as long as their neurosis is their business."





The stock that is a bargain, in his view, is not the one in an industry that has easy pickings at a given moment, but the one whose management at every level consists of men who will create their own prosperity. And that kind of management, in Lancaster Greene's opinion, is seldom found among 40-hour-week executives.

The head of a major aircraft company said flatly: "Sure, every one of our executives who really makes the grade is the kind of guy who lives his business 24 hours a day."

"Look at it this way," says an executive search specialist: "Say you've just been made head of your company or chief of one division. You want to produce, to show terrific results and justify the confidence. What kind of lieutenants do you prefer to have around you? Do you really worry whether your men have broad cultural interests and keep in touch with global problems? Or are you grateful for the kind of people whose thoughts are all on how to make things move? When the chips are down, you know what the answer is."

Charles F. Bruder, vice president for development of The Singer Co., is one of the few executives who don't mind being quoted on this subject. In his view, the man who is wholeheartedly interested in his work is going to find it next to impossible to put the job out of his mind, anyway. "Theoretically, I suppose, the best executive is one who can shut his job out of his mind at the close of the day, but it seldom works out that way. The man who is thoroughly immersed in his job is consciously or subconsciously thinking about it all the time."

#### **Squash your problems**

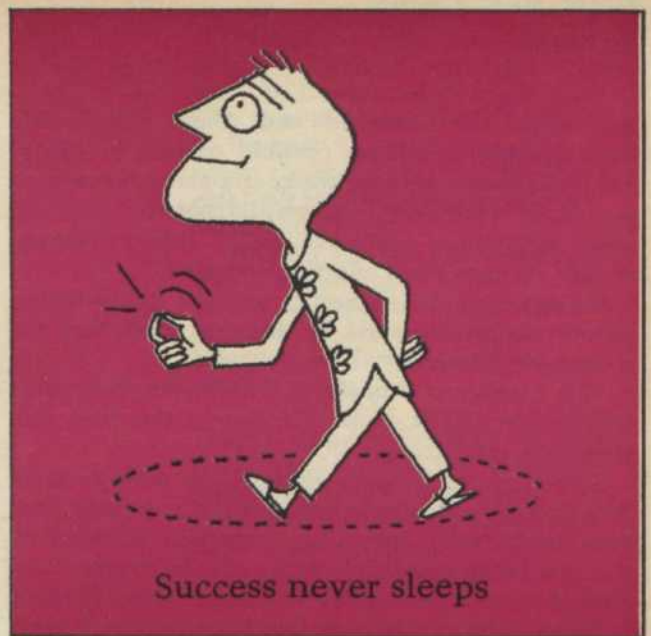
Mr. Bruder also has a practical suggestion for the complaint that constant concentration on work—even if it is not physically harmful—produces dullness and lack of really creative effort. "Active sports such as squash or tennis which demand full concentration are probably the most effective therapy for the executive who wants to forget about business problems for an hour or two."

Quite a few of the company heads who were asked their views on this subject recognized at once the frequent warning that a man who thinks constantly about his business is prone to ulcers or high blood pressure, but they tend to think this is simply not so.

"The breakdowns come to those who are driving themselves to do things they don't like—things unnatural for their make-up," said one man who clearly enjoys his round-the-clock schedule. "Such people are, indeed, unfortunate if they make their way up to big responsibilities."

"The sad fact is that a lot of men fool themselves and their companies into thinking they like the problems of business, when what they really like is the title and the money. But the kind of man who does really enjoy managing thrives on his work."

"It's just like an outdoor sport—hunting, for instance. All the chores of getting the guns and clothes ready, all the discomfort of cold and snow and weary legs—these things are just plain agony to the man who doesn't like the sport, so why do it? To the fellow who likes to hunt, they are part of the fun."



Well, the headaches of business are part of the fun to men who happen to enjoy them."

A great many other executives expressed similar feelings. One business leader comments about his people: "I'm not saying that we want a man to force himself to think about work more than he is inclined to. I know perfectly well that this will only lead to trouble at home or ulcers or second-rate work. All I mean to say is that if I can spot him in advance, I'll always pick the man who just naturally thinks a lot about the job he has to do, the man who loves it and doesn't need to drive himself."

A different note sounded by the president of Calumet & Hecla, Inc., suggests that there is a middle point between the divergent views. Mr. H. Y. Bassett recognizes the need for making special efforts in periods of crisis, but without allowing it to become a rule to think about work all the time.

#### **All work won't work**

"I can't believe that an executive, no matter how good or how interested he may be in his work, can spend 16 or 18 hours a day, six and seven days a week thinking about it, and remain alert, effective and efficient. . . . I have learned to take many of these claims with a grain of salt," Mr. Bassett says.

"At the same time, most executives do run into situations that require special amounts of time and attention to be overcome. As these problems arise, hours in a day or days in a week never enter into the picture—a solution must be reached. This is not everyday procedure, however, and should not be."

Calumet & Hecla, a major company in the metal refining industry, had such a crisis in the early 1960's. Earnings declined progressively from \$2.27 a share in 1959 to a low of \$.36 in 1962. After careful studies had shown the corrective action that was needed and steps were taken to reverse the trend as rapidly as possible, the good effects began to show up in 1963 and continued in 1964.

"During our problem period," says Mr. Bassett,



## FOR SUCCESS

continued

"we were all concerned and spent considerable time evaluating various possible courses to follow. There was some evening work, and many hours were put in on week ends, but we did not live day and night with these problems, and I believe because of this we were more effective and alert."

No aspect of this subject is touchier than whether outside activities should be designed to further the company's interests.

This smacks so strongly of interference in a man's private life that it could offend even the most conscientious executive.

Several of the business leaders who seem to favor this kind of company-oriented activity explain that they don't really expect an ambitious manager to plan his hobbies and interests with the express purpose of giving the organization some extra mileage. It seems, rather, that they think the dedicated executive will just naturally find a link between his recreation and his business.

One executive puts it this way: "When you play golf, you talk. The fellow who loves his business is more likely to tune in on remarks that give him new ideas for the workdays ahead."

Another says: "One of my division heads has always been interested in working with boys. Now he is a leader in local boys' clubs, heading fund drives, working with all the top people in the area. On the other hand, another division chief likes woodworking and spends most of his week ends all alone in his own workshop. I guess he needs that kind of solitude to relax and get ready to do a good job during the week. He's a fine manager. I wouldn't think of trying to change him. But there is no use denying that I'm delighted with the public-relations boost we get from the man who is doing such good work for the boys of the community."

Inevitably related to this subject is the thorny

issue of whether a company has any right to take the wife and family into account when it decides how to rate a man.

Here, as in the case of extracurricular interests, most top businessmen speak out against any conscious plan to bend family habits to company needs. But they do admit that the work-loving manager they like to promote can only reach his top effectiveness if he has a wife and a home life that permit lots of attention to the job without creating conflicts.

Executives' comments on these subjects could be summarized by the anthropologist's term, "natural selection." The companies studied choose and promote men on the basis of their work performance, not because they devote more time to their jobs. But, as these business leaders reflect on it, they feel that the top performances are usually turned in by men whose emphasis on work would be regarded as excessive by many other executives and their families.

What can you, at any level of business, learn from this as an aid to developing your own career and in leading others?

► First of all, few experienced executives have any confidence in the notion that productive management can be fitted into a 40-hour week. In sizing up your own approach to your own job, it is well to know that most managers believe a peak performance requires a lot of extra reflection on work problems. This may range from sitting at home with a briefcase full of papers to occasional quiet thoughts during moments of driving or shaving.

► If you find it easy to put work out of your mind, you may be a rare person. But consider the possibility that you are in a job that doesn't really interest, challenge and absorb you enough to make you a great success in it. This is the conclusion most other executives privately reach.

► Finally, when it comes to picking subordinates or promoting people who work under you, this old-fashioned question—now shown to be surprisingly alive—should again play a part as one factor to be considered: How much of the man's thoughts are devoted to the job and the company?

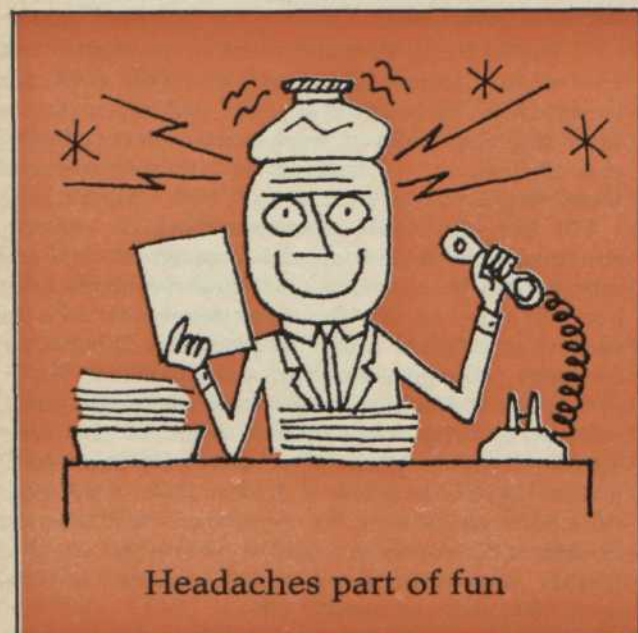
Maybe you don't agree with the executives who like the work-immersed man.

Like Mr. Bassett, of Calumet & Hecla, you may feel that overconcentration results in less effectiveness for the long pull.

Or your experience may show that the ideal answer varies in your industry from one time of year to another—crisis season, so to speak.

The argument is by no means closed. But the question—How much time should a man give to his work?—is a basic one, to be thought about by every leader of business. Try it while driving home late from work some night.—CHARLES A. CERAMI

**REPRINTS** of "For Success: Work 25 Hours a Day" may be obtained for 25 cents a copy, \$12 per 100, or \$90 per thousand postpaid from Nation's Business, 1615 H St., N.W., Washington, D. C., 20006. Please enclose remittance with order.







T. MIKE FLETCHER—BLACK STAR

*Slumlike crime and violence follow the poor to their new life in St. Louis public housing.*

## INDUSTRY'S ANSWER

*continued from page 37*

saw taxpayer-subsidized housing as a gateway to a fresh new life for the poor now concede that quite the opposite is occurring. Public housing has proved of dubious help to anyone, an impediment to local economic betterment and a nightmare for those who run many of the nation's cities. In spite of mounting urban problems growing out of tax-supported housing, politicians in Washington plan a substantial increase in the program.

Public housing was created during the depression to subsidize the building and operation of apartment dwellings for low-income families. The government estimates there are more than half a million of these dwelling units in America housing 2.2 million people.

Yet nearly every city with one or more of the projects checked by NATION'S BUSINESS was disillusioned.

Stockton, Calif., is an example. That city has had three elections on public housing issues. Projects were approved in two elections but, after experience with those projects, the citizens turned down another by a two-to-one vote.

Citizen disenchantment with public housing as a solution to the problems of the urban poor also grows out of the realization of the size of the subsidy involved. Average public housing rent in Stockton is about \$85 a month. Tenants pay \$34, the rest comes out of taxpayer funds. The total for the city adds up to more than \$550,000 a year—a three-way tax drain composed of tax-free money for financing, federal contributions and non-payment of local taxes. Had the public housing units been on tax rolls, as private housing is, each would be contributing about \$300 a year in taxes. Instead, they actually pay \$40 in lieu of taxes.

Another source of disillusionment stems from what has happened to private housing developed in the neighborhood of public projects. These homes went unsold and were vandalized, although similar housing in other parts of the city had flourished.

Local real estate people have offered to help reduce the backlog of applicants waiting to be placed in public housing by helping to put them in privately developed housing. The offer was turned down without explanation, real estate men told NATION'S BUSINESS.

Distaste for public housing projects is growing in other cities as well. In Denver, for example, some 500 families have been displaced in the past five or six years by an urban renewal project. Only about eight per cent have moved into subsidized apartments.

Not only has the social stigma of living as "project rats" been a factor, as in other cities, but Denver provides an adequate selection of privately developed housing at competitive prices.

Frank Mannix, president of the Denver Board of Realtors, explains that several builders are putting up high-rise luxury apartments for comparable cost per square foot. This is due in part, he thinks, to the high cost of subsidized structures, as well as to the cost-cutting enterprise of private builders. Part of the problem in Denver, as elsewhere, grows out of poor planning in the subsidized projects, realtors say. Although three-bedroom apartments are needed, public projects have many two-bedroom places.

In St. Louis, Daniel F. Sheehan, Sr., a community business leader and past president of the National Association of Real Estate Boards, points out that private enterprisers have had very good business in an apartment project a dozen blocks away from the Pruitt-Igoe public housing complex where James Harrison was fatally injured and crime and violence have kept the neighborhood in constant turmoil.

The privately developed Plaza Square Apartments include six elevator-type buildings 13 stories high. Rent is moderately priced, Mr. Sheehan explains, at \$95 to \$197.50—though not competitive with the public project, which is heavily subsidized. A major difference in the two neighborhoods—both close to downtown St. Louis—is the freedom from criminal destruction and vandalism at the privately operated apartments. And tenants who pay a little more have more pride in their residences, real estate men explain.

Builders in many communities find it uneconomic to try to compete with tax-subsidized housing. This is true in Boston, for example, where there is a great deal of public housing and private builders say they cannot afford to concentrate on low-cost facilities. The same is true in Chicago, where builders complain that they can't compete with the subsidy. In fact, private developers there say the government "has taken over the low-cost market and has almost taken over



## INDUSTRY'S ANSWER

*continued*

the middle-income markets as well."

Albuquerque, N. Mex., has another story to tell. There's no public housing there. A few years ago one part of town was in need of rehabilitation—but local initiative solved the problem.

E. T. (Bill) Williams, executive vice president of the Albuquerque Board of Realtors, tells how it was done: "Albuquerque citizens assumed the leadership in seeking a solution to the problem.

"The city—cooperating with civic, service club and political subdivision leaders—embarked on a gigantic 'clean up and haul it out' campaign, which erased most scars. The area was saved."

Many communities have equally good examples of private enterprise doing the job subsidized housing cannot do.

Perry E. Willits, president of the National Association of Home Builders, told *NATION'S BUSINESS*, "Public housing costs more to construct, more to maintain, more to administer and more in terms of social consequences. Home builders believe private enterprise can do a better job of housing low-income families.

"Financing is the key. The burden of competing against public housing subsidies, plus sharply rising land and labor costs, keeps many interested builders out of low-income housing. If financing advantages were made equally available, private enterprise could house the same families far more quickly and more economically. Lower financing charges make possible substantially lower rent or mortgage payments.

"Where private enterprise has entered the low-income field, the results contrast clearly with the wards-of-the-state atmosphere of public housing. In Oklahoma, private builders and government are working together in a unique development where a portion of the tenant's rent is set aside each month—eventually to make up a down payment on home ownership.

"In this environment, personal dignity and the incentive to improve flourish. For example, in New Mexico, many \$8,350 homes built five years ago by an NAHB member now sell for more than \$10,000 due to owner improvements. In one low-income development in Illinois, homeowners have been able to trade their homes for more expensive



*"Public housing doesn't serve their needs," says Realtor Maurice Read.*

ones within the community—a community they are proud of."

Maurice G. Read, who is president of the National Association of Real Estate Boards, says, "In a free society, housing owned and operated by the government is inherently wrong and dangerous. Those who control the people's shelter control the people.

"Public housing does not serve the needs of the lowest-income families. Federal subsidies are limited to paying the principal and interest on the bonds issued by the local public housing authority to meet the costs of the project. This means that the operating expenses have to be covered by rent receipts, necessitating the selection of tenants who can pay regularly, rather than those most in need. Officials admit there are many families too poor for public housing.

"Because of these failures, socialized housing should be eliminated and the existing units liquidated to private ownership.

"The National Association of Real Estate Boards is advocating a private-enterprise centered program to solve the housing problems of low-income families. Briefly, this embodies enforcement of adequate minimum housing and sanitation codes in every community and redirection of the submarket interest rate insurance program of the Federal Housing Administration to provide rehabilitated and new dwellings at reduced rents. This plan emphasizes the desirability of private property ownership, even in housing the low-income families, with the local and federal government assisting in reaching this goal through their traditional American roles of helping private industry do a job instead of supplanting it."

The National Association of Home Builders also supports the FHA's below-market interest rate program, and believes it should be extended.

They also say rent assistance for truly disadvantaged tenants might work.



*"Private enterprise can do a better job," notes Builder Perry Willits.*

Meanwhile, crime, violence and vandalism are disturbingly high inside many public housing projects. For example, in a recent two-month period in Chicago, at the Robert Taylor Homes project, some 600 miscellaneous complaints were made to police and more than 100 instances of criminal damage were reported.

Ironically, this has been described by housing authorities as improvement over past periods.

Twice as many people occupy the same two-mile stretch of public housing as lived there before the project opened in 1962. Nearly 28,000 people live in 28 buildings. Each is 16 floors high. They stand domino-like on the city's skyline. Each structure is home for an average of 700 children.

Yet this \$70 million complex has no toilets on the first floors. So children frequently relieve themselves in the hallways and stairways. This practice is not limited to the children, either.

Charles R. Swibel, chairman of the Chicago Housing Authority, says:

"We readily agree that Taylor Homes is so large as to be somewhat unwieldy, and it is our hope that future public housing communities can be kept to a maximum of about 800 families. We also agree that the best housing for families with children is the walk-up structure."

Original plans had called for a different kind of structure but federal requirements for cost and design set the pattern.

Mr. Swibel says some 2,000 of the 4,350 families living there get some form of public relief. Families are larger than average, with 1,600 of them having only one parent at home.

"The Board of Commissioners does not profess that the city's public housing program is without fault or that there is no room for improvement," Mr. Swibel admits. "We do maintain that we are not standing still . . . doing nothing. . . . We are constantly trying to im-



prove our policies, our standards and our procedures."

Evidence that improvement is needed:

Ten-year-old Richard Davis, one bright day last year, went outside his Taylor apartment to play. As he stepped out the door of the 16-story building at 4946 State St., he was killed by a drain cover dropped on him from the eighth floor.

Seven-year-old Sheila Ann Watson suffered a skull fracture just two months later. She was hit by a water-filled bottle at a nearby building.

At 3919 Federal St., another of the Taylor Homes, an eighth-floor railing gave way and an 11-year-old boy fell to his death.

Throwing objects from the upper floors of the project has been a favorite recreation of some of the tenants. Garbage, beer bottles and

cans, eggs—even a bicycle and a TV set—have been flung from the windows.

Hurled objects became so numerous that maintenance workers began wearing safety helmets. At two buildings, housing authorities installed concrete-topped canopies.

Another pastime of roughneck teen-agers is terrorizing their neighbors. Gunfire is often heard as delinquents whoop it up. Hallways and stairways are used by loitering youngsters as places to drink cheap wine, play cards and plan unlawful acts, including muggings, burglaries and car thefts.

Problems feed on themselves. Social workers say the people living there feel they've been betrayed, that civilization doesn't care what happens to them, and there's little incentive to break away and achieve ownership of their own homes.

These conditions recently prompted the Chicago *Daily News* to comment: "If Taylor Homes has accomplished anything, it is to make it unlikely that another one like it ever will be built.

"Its history has been too disastrous to make anyone wish for a carbon copy."

Still, the Chicago Housing Authority is going ahead with expansion of the tax-supported project. Four new buildings will extend the south end of the two-mile-long complex.

The head of the Public Housing Administration, Marie C. McGuire, tells NATION'S BUSINESS: "Public housing is occupied by many disadvantaged families subject to all the stresses imposed by poverty, ignorance, acceptance of squalor, ill-health, and lack of skill. (It) has led to the popular, vicious and false

*Public housing that adjoins junkyards, such as this project in Denver, offers little betterment in the lives of destitute and raises serious question as to the worth of such outlays.*





## INDUSTRY'S ANSWER

*continued*

myth that public housing breeds crime and delinquency. . . . What public housing has done is to put on public display the scope and dimension of the failures of our society."

Yet nearly every city with one or more public projects reports that problems of law enforcement are greater than elsewhere in the city.

Western Union stopped delivering telegrams at the St. Louis project last February. Messengers had been beaten, robbed and threatened. Deliveries were resumed three months later after delivery boys were guaranteed that they would be accompanied by armed guards stationed at the housing project.

Two large department stores—Famous-Barr and Stix, Baer and Fuller—also stopped delivery of merchandise to public housing. Delivery trucks had been looted and drivers feared for their safety. The stores arranged to make customer deliveries at other locations outside the subsidized complex.

The parcel delivery division of Sloan's Moving and Storage Co. decided to put two men on trucks and installed alarm systems. But looters were not deterred. The firm called off deliveries.

The St. Louis Housing Authority offered to provide escort service for anyone entering the buildings. A housing official commented: "When a few insurance men were held up recently in the projects, we stated in our reports to police that they did not check in with our watchmen and ask for an escort."

If they had, there's little likelihood that all requirements for armed escort service could be met. A private plant protection service provides watchmen—with three on duty at peak service. City Alderman Joseph P. Roddy points out that, with 33 buildings, this means one guard for every 11 buildings and each 3,000 occupants.

Even those who are trying to help these indigent people sometimes suffer. Mrs. Charles J. Will, a 61-year-old, 11-year veteran of volunteer social work among the poor, was heading home at four o'clock one afternoon after conducting craft and sewing classes at the Vaughn Senior Citizens Building. As she unlocked her car, she was shot in the chest and arm by a sniper. Minutes later, a bullet ripped through the roof of a telephone company repair truck in the same neighborhood.

A 16-year-old boy, accompanied

by a 15-year-old, later admitted shooting the social worker from the ninth floor of a nearby building. He said he was just taking target practice at truck tires.

The Rev. John A. Shocklee, pastor of St. Bridget's Catholic Church, thinks the laws have made the tax-supported housing project an ideal place for crime. He recommends revaluation of all the laws and regulations involved in setting up and operating the apartments.

A family head with a decent income cannot live there, he points out. If income rises above a certain point residents must move out.

## A CITY'S ANSWER *continued from page 33*

out what it cost, but I'd quote a price and then lose money because the lime would cost more than I thought," he explains to *NATION'S BUSINESS*.

They received some 400 hours of practical work experience during the 20-week course: pruning, insect control, sprinkler installation, fence construction and the like. Local landscape contractors cooperated with demonstrations of such skills as rose trimming and concrete work. Classroom instruction included reading, writing and arithmetic plus such basic assistance as hints in applying for a job, how to find a potential employer, how to fill out an application blank.

The cost: Some \$7,200 to county taxpayers.

Was it worth it?

Alameda County authorities think so. The course ended on May 27 and 10 of the 14 had jobs by mid-June as gardeners—nine in private industry and one with a park. Of the rest, one was sick, one was healthy but hadn't landed a job, one had moved out of California and one was in jail. "You can't win them all," comments a welfare department official.

When the class began, the 10 who later got jobs were receiving \$2,449 monthly in welfare handouts. If they stay on the job three months, they will save the taxpayers more than the cost of the course; if they stay off welfare a year, the savings will be \$29,388. And this doesn't count taxes the new wage earners will pay.

Nor does it attempt to put a dollar sign in front of the intangibles received by the men, their families and the underlying strength of the community gained from moving people from idleness to self-sup-

Some abandon their families so the women and children can draw aid-to-dependent-children payments. Families in nearly half the apartments receive such aid. Some 85 per cent of the occupants are women and children.

The efforts of Father Shocklee prompted a community relations consultant to comment: "Studies by sociologists pour across my desk. But take one guy like Father Shocklee—who will work with these people in their dirt, rats and garbage—and you get more done than all these millions of words will ever do." **END**

porting activity. "Now I have a starting point," says the 56-year-old. "I know what I'm doing and should be able to hold a steady job." He now works for a private landscape contractor who says he might become a foreman.

"What we try to do with these people," says William D. Kennedy, head of the county welfare department's employment section, "is bring them up to the point where we can say, 'You're prepared to enter the field. Now you're on your own.'"

Actually, the trainees aren't completely on their own because the welfare agency helps them make contacts with potential employers and case workers follow up after trainees go to work to see how they're doing. Officials often employ what amounts to psychological warfare to keep a man on the job who may have backsliding tendencies. Welfare workers, for instance, will often talk to wives of the men and get them to needle their husbands into staying on the job.

This and other programs for returning welfare recipients to self-supporting jobs isn't unique with the Oakland area, to be sure.

In Chicago, one of the nation's prime examples of community action, Cook County is reducing its welfare costs through compulsory literacy courses, job training and placement services.

All able-bodied persons on relief there must learn to read and write in special classes or lose their welfare checks. They also attend other training classes, a step that has cut close to \$2 million a month in Cook County's relief payments from a peak in May, 1962.

"Much of this result is dramati-



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## A CITY'S ANSWER

*continued*

cally visible," says Raymond M. Hilliard, director of the Cook County Department of Public Aid. "Almost 1,200 men have been trained to become Yellow Cab drivers and with their large families they have left the relief rolls. One of them now has his own car and is buying his own home. From relief client to landowner in six months!"

In Atlanta, the Fulton County Department of Public Welfare says its campaign of education, job training and placement has helped whittle the number of welfare recipients, thereby saving taxpayers thousands of dollars a year.

But in many a city or county little is done toward putting the poor back to work.

The Alameda County determination to do just that demonstrates how one community is meeting a problem that threatens to eat up an ever increasing share of tax dollars.

The county spreads along the eastern shore of San Francisco Bay. Its population ranges from the egg-heads around the University of California campus in Berkeley to illiterates in industrial sections of Oakland. Farming areas in the southern part of the county are gradually giving way to factories for such giants as General Motors. Kaiser Industries and Safeway Stores have their headquarters in Oakland. Other large employers include General Electric, Friden Inc. and Hunt Foods.

The county pays out some \$60 million a year in aid, about 80 per cent of which comes from the state and U. S. governments. Another \$6 million is spent for welfare administration.

"The people are awfully aware of how much goes for welfare and are concerned about it," says Robert E. Hannon, a member of the county's governing body, the board of supervisors. Mr. Hannon oversees welfare policies and the Welfare Department.

"When I ran for office in 1962, I ran on one issue—welfare—and was elected." He advocated strong measures if necessary to cut welfare costs and reduce the number of people getting welfare payments. "My district has 300,000 population, the sixth largest supervisorial district in the state, and has mostly blue-collar workers who have bought their own homes. It's about three-to-one Democratic.

"Lumping in the money we get from the state and federal governments for welfare, 55 per cent of the county budget goes for welfare," Mr. Hannon tells *NATION'S BUSINESS*. "About 45,000 persons are on welfare out of a total population of one million. That means 95 per cent of the population has to get by on 45 per cent of the budget. And the share of the budget devoted to welfare has been rising about two percentage points a year.

"People aren't happy about this. It may sound surprising, but when I make speeches I find people want to hear about welfare."

### **Washington makes the rules**

So, what to do? In many states—including California—a local government's ability to do much about shaping its welfare policies is greatly restricted. Counties, in general, administer the welfare programs—including passing out the checks to recipients—but the guidelines under which they operate are legislated by states which are, to a great extent, influenced by funds offered by Uncle Sam. This often means that officials in faraway Washington or in state capitols get the praise of welfare recipients while local officials get the darts from taxpayers who see the large totals spent by their city or county on welfare.

"If we're going to get the heat from the voters, we may as well be able to do something about it," argues Mr. Hannon, who tells of efforts in Oakland and other parts of California to give counties more power over welfare policies.

The big welfare field where localities do have some power to set their own policies is the one in which Oakland, Chicago and other areas are pushing education and retraining programs for the unemployed.

This training effort stems, strangely enough, from federal laws which liberalized welfare spending. When enacted by Congress, the original program provided federal aid for impoverished families with dependent children when the father was dead, very ill or had disappeared. This led to many instances in which fathers simply decamped when inspectors were around, mothers picked up the welfare check and families either existed completely on welfare or in some cases even were broken apart in the rush for free money.

Then Congress liberalized the law in 1961 and 1962, enabling unemployed fathers to collect welfare payments. It also encouraged lo-

calities to put the heads of households back to work. President Johnson himself has endorsed the concept of turning tax-eaters into taxpayers. Nothing requires communities to try putting welfare patrons back to work but Oakland and other areas are trying.

"We began work and retraining programs about 15 years ago," says Harold B. Kehoe, the pragmatic director of the Alameda County Welfare Department, who has worked with parolees and other problem people in the past. "Seven or eight years ago we began job preparation classes. Teaching people to keep their nails, hands and body clean when applying for a job, filling out application forms—things you and I take for granted. And about two years ago we began tooling up for the main retraining program we have today.

"Our feeling was that this is what we should have been doing all the time—trying to put people back to work. The answer to this welfare business is not to pass out checks month after month. Public welfare can't answer all the problems of the community. You have to do something, for example, to prevent the kids coming along from going right on to welfare."

From all indications, Mr. Kehoe's philosophy enjoys wide support throughout the county, too. He tells *NATION'S BUSINESS* of "a real acceptance of the program in the community," and Supervisor Hannon's election experiences seem to bear this out.

### **A hand from business**

A key element of support for retraining is coming from the business community.

The outstanding demonstration of this support comes in what's known as "Operation Bootstrap." It's sponsored jointly by the welfare department and the Oakland Chamber of Commerce's manufacturers committee.

Planners want all 1,100 manufacturers in the county to cooperate in Bootstrap ultimately by promising to offer one job per company per year to a man or woman on welfare. So far, though, Bootstrap is only a little over a year old and its organizers have been going slowly. They recently expanded the number of companies with which they've been working from 30 to more than 70. Unions are also cooperating by winking at requirements that all new workers in unionized plants be hired out of hiring halls.

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## A CITY'S ANSWER

*continued*

Ken Moeller, secretary of the manufacturers committee. When a cooperating employer has a job opening, he notifies the welfare department whose officials direct a man or woman to the company. The man, says Mr. Kennedy of the welfare department, must compete with other applicants for the job. But he concedes that the welfare applicant in this case may hold a slight edge because of the employer's promise to cooperate. Extremely anxious to make Bootstrap work, welfare officials give extra special care to finding apparently qualified workers for these preferred jobs. The going hasn't been easy.

"We picked up a couple of spectacular failures right at the start," volunteers Mr. Kehoe. One man placed with a company by the department, for example, said he could operate a fork lift truck. But when the employer found he couldn't do so satisfactorily and tried to shift him to a lesser paying job, he quit in a huff.

But the business-oriented program is now showing new successes.

Two of them are working at General Electric plants in Oakland.

Consider a 30-year-old man with nine children. He bounced from janitor to linoleum layer to hospital orderly and finally onto welfare in order to support his family. Finally the Bootstrap operation landed him a job as an intermediate sparker operator at G. E.'s wire and cable plant. He makes repairs on cables, rewinds other cables and does various other jobs.

"When I hired this guy, I was pretty apprehensive," says Jim Batchelor, day shift foreman at the plant. "People who've been on welfare usually don't work out so good. But this guy is doing okay. We work a six-day week and I've worked him some 12-hour days. He says, 'I'm not tired. I don't drink. I just go home and sleep.'"

"He makes about \$2.50 an hour. One of the first paydays he was here he took home something like \$192. A lot of fellows would blow that money on some high living. But he came in the next day with a new metal tool box under his arm.

"This kind of impressed me," says the no-nonsense Mr. Batchelor. "It shows he's sort of expecting to stay around awhile."

Hiring workers who will "stay around awhile" is one of the big labor problems of G. E.'s distribu-

tion transformer plant in Oakland, too, says E. F. Fitzmaurice, the plant's manager of employee and community relations.

"We're not looking for skills," he tells NATION'S BUSINESS. "We're looking for people we expect to train. But we aren't getting the motivation. People drift in here, work a couple of days and are gone." Workers start at about \$2.50 an hour and move up to \$2.55 after several months on the job. "We have winders who make \$3.50 to \$4 an hour, so there is opportunity to progress," he points out. "If we can keep a man for a year, sometimes he will be with us until retirement."

It's too early to say that a 23-year-old ex-Marine hired last December will stick around that long. After his discharge from the Marines, he had tried clerical work and truck-driving without much success. Then he turned to welfare to support his wife and one child.

"This was a fellow we had feared would get accustomed to welfare—who would stick on the rolls. We were afraid the whole family structure would break down" says Mr. Kennedy.

As for the ex-Marine, he has joined the union—an indication that he's settling into his job.

If the job is a relatively menial one and a number of people are unemployed in Oakland, why does G. E. go to the trouble of cooperating in the Bootstrap operation?

"It's a matter of doing what we know ought to be done," explains Mr. Fitzmaurice. "It's a way to get

people we need and it serves a community need that any sensible person knows has to be solved."

### Jobs for the asking

Other businessmen, too, make clear that jobs exist for people willing to work who have basic talents or skills.

"Trained men are very few and far between in our industry, believe me," says R. D. Fiske, a landscape contractor in San Leandro. "Some men who apply for jobs don't even know how to run a lawn mower. And many don't want to work."

Not all unemployed welfare recipients are as fortunate as those men referred to Bootstrap jobs or trained to be landscape gardeners. For the others the welfare department also sponsors training courses aimed at putting to work as many welfare cases as possible.

Men go to work on county and other public projects several days a week when regular labor isn't available. Called "work habit retention" projects, these courses try to do just that—keep men on assistance aware that they must work for a living. Some have worked recently on flood-control projects, others at farm jobs. These men get paid for the work they do but get additional grants from the welfare department. Even if a man doesn't have full time work, it makes a big difference in family relationships when he has an excuse to pack a lunch pail, say good-bye to the kids and go out the door to work, says Aaron Levin, a department official. **END**

## UNIVERSITY'S ANSWER *continued from page 35*

that many displaced residents are bitterly resentful. They argue that slum dwellers are "mad at the world" anyway and tend to blame urban renewal because it added one more problem they didn't need.

The program is tangled in time-consuming red tape. There's not strict enough enforcement of housing codes—one means of checking blight. And the slum resident, like the plumbing manufacturer and other businessmen can get bounced around repeatedly as urban renewal moves across a city.

Detroit was one of first participants in the urban renewal program. It has already dislocated 1,026 businesses and institutions in its last 100 projects. Some 296 more are in areas currently in the planning or clearance stage, and

many more will be affected by future projects.

### Cloud of condemnation

There were 64 businesses in the area selected by Wayne State for exhaustive study—64 left, that is, after the cloud of condemnation settled over the area some years before.

For many, urban renewal meant heavy moving costs, reimbursed only partly, if at all. One firm laid out \$77,000 and was paid only \$23,000 in public money to compensate for the compulsory move. Unknown costs have to be chalked off in loss of business before, during and after the move. You can't always find a new location at a fair price, either. The search is complicated by zoning and licensing restrictions. For



some it means building clientele or customers from scratch.

Of these 64 businesses the authors report: "One out of two businesses has disappeared or died." Mortality was highest among purely local establishments, particularly among Negroes.

To be sure, a handful were only too glad to be bailed out of unprofitable operations. But others offered reactions like: "At my age where the devil would I get a job?" or "The place could have taken care of us for the rest of our years."

### Loss to business

Many of the businessmen who did successfully relocate felt they had been short-changed on moving payments. Said one: "I took a loss in money because it costs money to start over to find a new place and relocate yourself." Said another, who got nothing: "I felt there was no use; I was pushed from one fellow to another."

The university researchers unearthed one story to the effect that the owner of a bar loaned money to help a barber shop proprietor move; when he moved himself, the bar owner incurred such costs that he went under.

There were complaints, too, that compensation for a bulldozed business failed to reflect the value of the enterprise or at best fell far short of replacement costs.

"This problem of replacement value is perhaps the most difficult one to deal with in the acquisition and payment for property condemned by urban renewal," the study noted. Both homes and businesses paid up 10 or 20 years ago often yield a low appraisal today.

"Yet with the increases in the cost of labor and property, the owners cannot buy anything comparable. In addition, the owners are now 10 or 20 years older themselves and often cannot handle any new payments."

These and other complaints were cited in the Wayne State study and in talks a NATION'S BUSINESS editor had with businessmen from the area it covered.

Paul J. Lauri, 32, a partner in Lauri Brothers Market, had no complaints about the condemnation price for his family business (in operation since 1919) but added: "I was forced to go into debt to stay in the grocery business—the only business I know."

His new store had to be twice the size of the old one to meet competition in the area where he relocated. "I think I'd rather be

back where I was in a smaller store. Dollars and cents-wise I'd be better off."

Jacob S. Pantaleo, 43, went into another line of business because he was unable to find a suitable location for his market, which had been in his family for 33 years. The new business failed; he later managed to find work as a salesman.

Nelson Cloud had operated a confectionery store and restaurant. He figures he's doing all right at his new location. But he estimates that he lost \$1,000 a month in the final period before the city settled for his old property. "We couldn't make any deals until we knew how much money we were going to get."

Business owners cannot qualify for relocation payments if they move out in advance of the city's taking over their property. They have to maintain it, anyway, or face the chance of further losses when the appraisers come around. Meanwhile, their customers are urban-renewed out of the area.

Morris J. Stegman, who had a pharmacy since 1932, noted that urban renewal cut a swath four to five blocks long through a residential area about a block from his establishment nearly a dozen years ago. Up to then business had been so good that Mr. Stegman had offered his landlord \$50,000 for the building he occupied. He turned down an offer of a similar amount for his business. All he got was \$10,000 from urban renewal.

### 'Get out'

This made Mr. Stegman a loser twice. About seven years ago, Mr. Stegman bought two stores side-by-side on another site with the idea of combining them and relocating there. Then the city widened the boundaries of a nearby renewal project and included this property as well.

Gilbert Chumley, a trucker who hauls beer for local breweries, feels he got particularly rough treatment as a renter. "The people that I dealt with came in and said 'get out.'"

Relocation meant doubled rent in a building that certainly was not twice as good as his old one, Mr. Chumley says, echoing a frequent complaint found in the Wayne State study.

The individual businessman is not the only loser, the study points out, because businesses seem to provide some of the "glue" that holds a neighborhood together through convenience, credit, gathering places and a source of con-

tact for people who might otherwise become isolated.

They produce taxes, rent and jobs and reduce welfare and unemployment costs. They offer slum residents above all economic independence.

"Thus, interest in what happens to small business in an urban renewal area goes beyond concern for the individual businessman who experiences disruption."

Harold Black, director of the Mayor's Committee for Community Renewal, believes the Wayne State study has particular value in identifying problems of business. "We have to involve ourselves to a greater extent as far as the individual business establishments are concerned."

Mr. Black supports these findings of the study. He partially disagrees with another portion of the Wayne State study. It reflects complaints of individual slum dwellers that urban renewal is responsible for personal hardship.

The study quoted extensive complaints that, while most are in comparatively better housing, they must pay disproportionately more for it and nearly half would prefer to be back in their old neighborhoods.

The Detroit Housing Commission regards these complaints as exaggerated and Mr. Black agrees.

Regarding business, says Mr. Black, "the problems still exist." Some stem from the limitations of urban renewal legislation and various regulations adopted to carry it out.

Mr. Black also agrees that relocation-payment procedures often work a hardship, forcing a businessman to sit tight while the neighborhood dies around him. "Given the steps we have, a guy can't get paid until a given time, which means he's got to sit around. His problem is that he isn't doing any business and he has to wait."

On the question of spreading slums, the Wayne State study remarks that relocation of slum people with slum problems, even into better housing, won't solve their other problems.

Professors Lebeaux and Wolf show that residents displaced by urban renewal have somewhat less education, considerably lower median income than long-time residents of their new areas, and perhaps less family stability.

### Spreading blight

City officials say they have no other studies that would document



# Advertisers in this issue • August 1965

	Page
Addressograph Multigraph Corp..... <i>The Griswold-Eshleman Co., Cleveland</i>	41
Air Express, Division REA Express..... <i>Ketchum, MacLeod &amp; Grove, Inc., New York</i>	28
American Telephone & Telegraph Company, Long Lines..... <i>N. W. Ayer &amp; Son, Inc., Philadelphia</i>	1
American Telephone & Telegraph Company, Yellow Pages..... <i>Cunningham &amp; Walsh, Inc., New York</i>	91
Anchor Post Products Inc..... <i>VanSant, Dugdale &amp; Company, Inc., Baltimore</i>	54
Armstrong Cork Company, Building Products Div., Ceiling Systems Dept..... <i>Batten, Barton, Durstine &amp; Osborn, Inc., New York</i>	3rd cover
Chamber of Commerce of the United States.....	76, 77
Detroit Diesel Engine Div. of GMC..... <i>Tatham-Laird &amp; Kudner, Inc., New York</i>	15
Dodge Division, Chrysler Corp., Trucks..... <i>Batten, Barton, Durstine &amp; Osborn, Inc., Detroit</i>	85
Dust-Tex Company..... <i>George &amp; Glover, Atlanta</i>	10
Eastman Kodak Company, Kodak Copy Products..... <i>J. Walter Thompson Company, New York</i>	69
Ford Motor Company, Ford Authorized Leasing System..... <i>J. Walter Thompson Company, Detroit</i>	20
Friden, Inc..... <i>Richard N. Meltzer Advertising, Inc., San Francisco</i>	43
General Telephone & Electronics Corporation..... <i>Tatham-Laird &amp; Kudner, Inc., New York</i>	18
General Time Corp., Stromberg- Industrial Controls Div..... <i>Birmingham, Castleman &amp; Pierce, Inc., New York</i>	66
GMC Truck & Coach Division, General Motors Corporation..... <i>McCann-Erickson, Inc., Detroit</i>	4, 5
Hamilton Cosco, Inc., Office Furniture Div..... <i>Noble-Drury &amp; Associates, Inc., Nashville</i>	58
Hammermill Paper Company..... <i>Batten, Barton, Durstine &amp; Osborn, Inc., Cleveland</i>	67
Insurance Company of North America <i>N. W. Ayer &amp; Son, Inc., Philadelphia</i>	51
International Business Machines Corp., Data Processing Division..... <i>Marsteller, Inc., New York</i>	49
International Business Machines Corp., Office Products Div. (Type Bar)..... <i>Benton &amp; Bowles, Inc., New York</i>	2nd cover
E. F. Johnson Company..... <i>Firestone Advertising, Inc., Minneapolis</i>	50
Latham Time Recorder Co..... <i>J. Howard Allison &amp; Company, Atlanta</i>	14

	Page
Minnesota Mining & Mfg. Co., Duplicating Products Div..... <i>MacManus, John &amp; Adams, Inc., Minneapolis</i>	61
Monroe/Sweda..... <i>West, Weir &amp; Bartel, Inc., New York</i>	52
Mutual Benefit Life Insurance Co..... <i>West, Weir &amp; Bartel, Inc., New York</i>	16
National Truck Leasing System..... <i>Stevens-Kirkland-Stabelfeldt, Inc., Chicago</i>	66
New York Life Insurance Co..... <i>Compton Advertising, Inc., New York</i>	6
Oxford Filing Supply Co., Inc..... <i>Geer, DuBois &amp; Company, Inc., New York</i>	24
Pitney-Bowes, Inc..... <i>de Garmo, Inc., New York</i>	17
Polar Panel Company..... <i>John H. McGuire Advertising, St. Paul</i>	16
Ranco Industrial Products Corp..... <i>Crescent Advertising Agency, Cleveland</i>	73
REA Express..... <i>Erwin Wasey, Inc., New York</i>	87
Republic Steel Corporation, Manufacturing Division..... <i>Meldrum &amp; Fewsmith, Inc., Cleveland</i>	59
R. J. Reynolds Tobacco Co., Tempo Cigarettes..... <i>William Esty Company, Inc., New York</i>	4th cover
St. Paul Insurance Companies, The..... <i>Campbell-Mithun, Inc., Minneapolis</i>	13
Savings & Loan Foundation, Inc..... <i>McCann-Erickson, Inc., New York</i>	42
SCM Corp., Data Processing Systems..... <i>Batten, Barton, Durstine &amp; Osborn, Inc., New York</i>	27
South Carolina National Bank, The..... <i>Bradley, Graham &amp; Hamby, Inc., Columbia, South Carolina</i>	16
Stromberg-Industrial Controls Div., General Time Corp..... <i>Birmingham, Castleman &amp; Pierce, Inc., New York</i>	66
Success Motivation Institute, Inc..... <i>Advertising &amp; Marketing Associates, Inc., Waco, Texas</i>	50
United States Steel Corporation, Cyclone Fence Division..... <i>Batten, Barton, Durstine &amp; Osborn, Inc., Pittsburgh</i>	19
Varityper Corporation..... <i>Bruce Angus Advertising, Inc., New York</i>	23
Victor Comptometer Corp., Business Machines Group..... <i>Allen, Anderson, Niefeld &amp; Paley, Chicago</i>	12
Volkswagen of America, Inc., Trucks.... <i>Boyle Dane Bernbach, Inc., New York</i>	11
Wellington Sears Company..... <i>Trahey Advertising, Inc., New York</i>	48

## Regional Advertisements

American Trucking Associations, Inc... <i>The Allman Company, Inc., Detroit</i>	55
Duke Power Company..... <i>Cargill, Wilson &amp; Acree, Inc., Charlotte, N. C.</i>	83
Varco Steel, Inc..... <i>James H. Faulkner &amp; Associates, Pine Bluff, Arkansas</i>	81

## UNIVERSITY

continued

actual deterioration of a neighborhood because of displaced persons from urban renewal projects.

Mr. Black recalls, however, that there was a marked increase in police calls and other complaints in one neighborhood heavily penetrated by people displaced by a highway project from an area much like some sections chosen for renewal.

He says long-time residents complained that it became a less desirable place to live.

Police protection had to be increased, and a nonfederal program of building conservation and rehabilitation was launched for the neighborhood. It later was selected for the city's first community action program under the Johnson Administration's so-called war on poverty.

"People, wherever they go, take their habits with them," adds John J. Musial, a housing market analyst formerly with Mr. Black's agency and now a member of the city's antipoverty staff.

To the Wayne State University charge of blight by announcement, Robert D. Knox, director of the Housing Commission, which operates urban renewal, replies: "We don't create slums. We operate in slum properties."

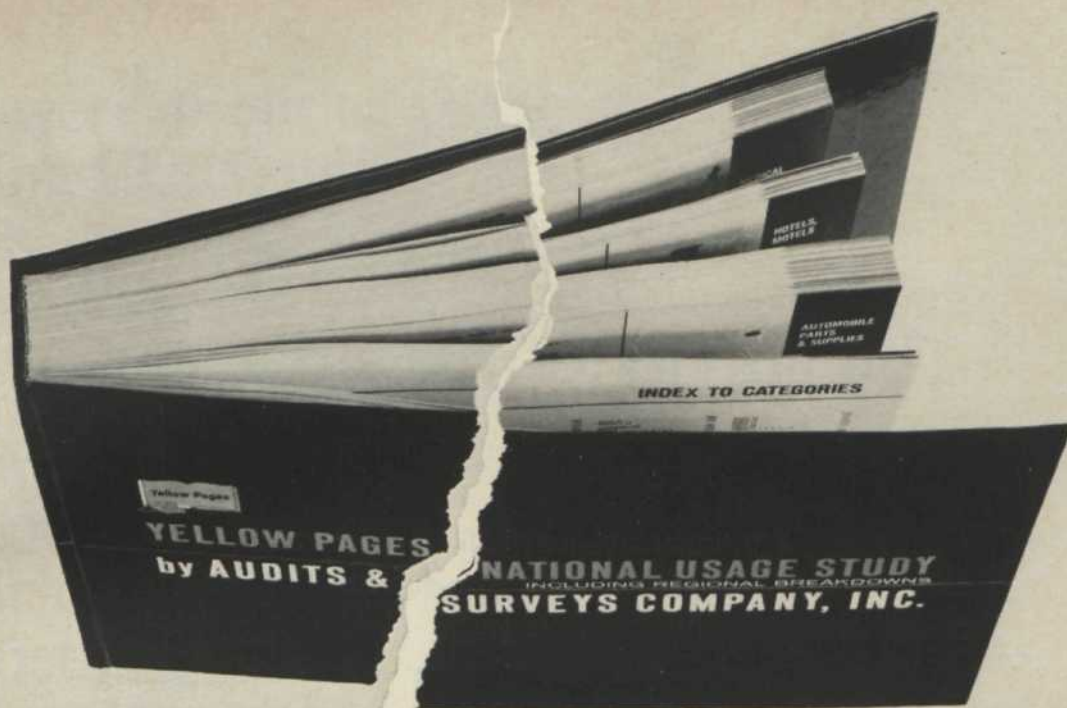
Yet Mr. Black observes that, "We know that the moment a project is announced, half the people move out." Others, including Mr. Musial, add that this leads to increased abandonment of property and decreased maintenance—all detracting from the value of other property nearby in the eyes of the appraisers.

Harold J. Bellamy, assistant director of Detroit's Committee for Community Renewal that plans renewal projects, tells of receiving reports that some families started moving out of an area merely on the strength of news that it was being considered for possible renewal.

At one point recently, there were two suits pending in federal court in Detroit, filed by owners complaining that their property had been blighted for some 10 years under the threat of taking by the city while adjacent land was taken.

Recent changes in the law are aimed at helping to ease the burden on individuals and small business but nobody expects them to solve all the problems. **END**





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Lay-in panels remove easily for quick ac-  
cess to wiring, plumbing.

*Cuts lighting bills?* Because Luminaire  
offers greater lighting efficiency, you  
achieve desired lighting levels with fewer  
lamps, use less wattage.

*Cuts air-conditioning bills?* Fewer  
lamps also mean less heat, reducing the  
load on your air-conditioning equipment.

*Lights better?* Luminaire provides up  
to 200 footcandles without glare. It de-  
livers 10% more light than standard re-  
cessed fixtures. Restful light, free of dis-  
tracting shadows.

*Absorbs noise better?* Luminaire's  
unique geometry provides substantially

more sound-absorbing area than flat  
acoustical ceilings.

*Ventilates better?* Luminaire distrib-  
utes air uniformly through thousands of  
unobtrusive openings in the ceiling pan-  
els. No drafts. No diffuser noise.

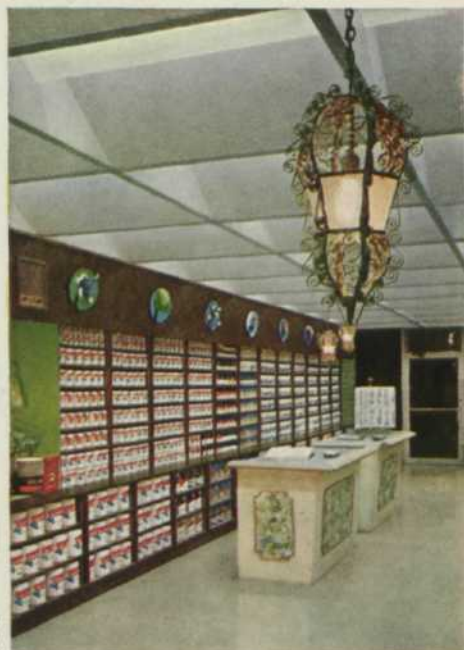
*Costs less in the first place?* Since  
Luminaire eliminates all diffusers and  
most air-conditioning ductwork, it often  
costs 25% less than you'd pay for sep-  
arate lighting, ventilating, and acoustical  
systems. Generally, installed costs for the  
Luminaire System range from \$1.45 to  
\$3.25 per sq. ft., depending on the op-  
tions you select.

*Interested in more details?* Write Arm-  
strong, 4208 Mercantile St., Lancaster, Pa.

CEILING SYSTEMS BY

**Armstrong**

*A typical installation. Besides stores and supermarkets,  
the Luminaire System is at work in offices, schools, restaurants, plants,  
hotels, and motels from coast to coast.*





**Just a small  
revolution!**



## **Big Change! Now Tempo has good old-fashioned flavor!**

For the first time, there's a charcoal-tip cigarette with good old-fashioned flavor. Tempo has a new rich tobacco blend. Tempo's filter has a section of granules bound together\* plus a white fiber outer section...for taste too good to miss!



\*U.S. PATS. PENDING



**New Tobacco Blend For More Tobacco Taste**